

Somerville Budget Overview



Mayor Joseph A. Curtatone
June 7, 2016

Building on our Strengths to Shape Our Future



Serving Somerville Together

Investing in our Schools and Youth Development

Delivering Critical Human Services

Strengthening Core Services to Enhance Our Quality of Life

Taking on Challenges

A Budget Guided by Our Core Principles and the Community's Orienting Values



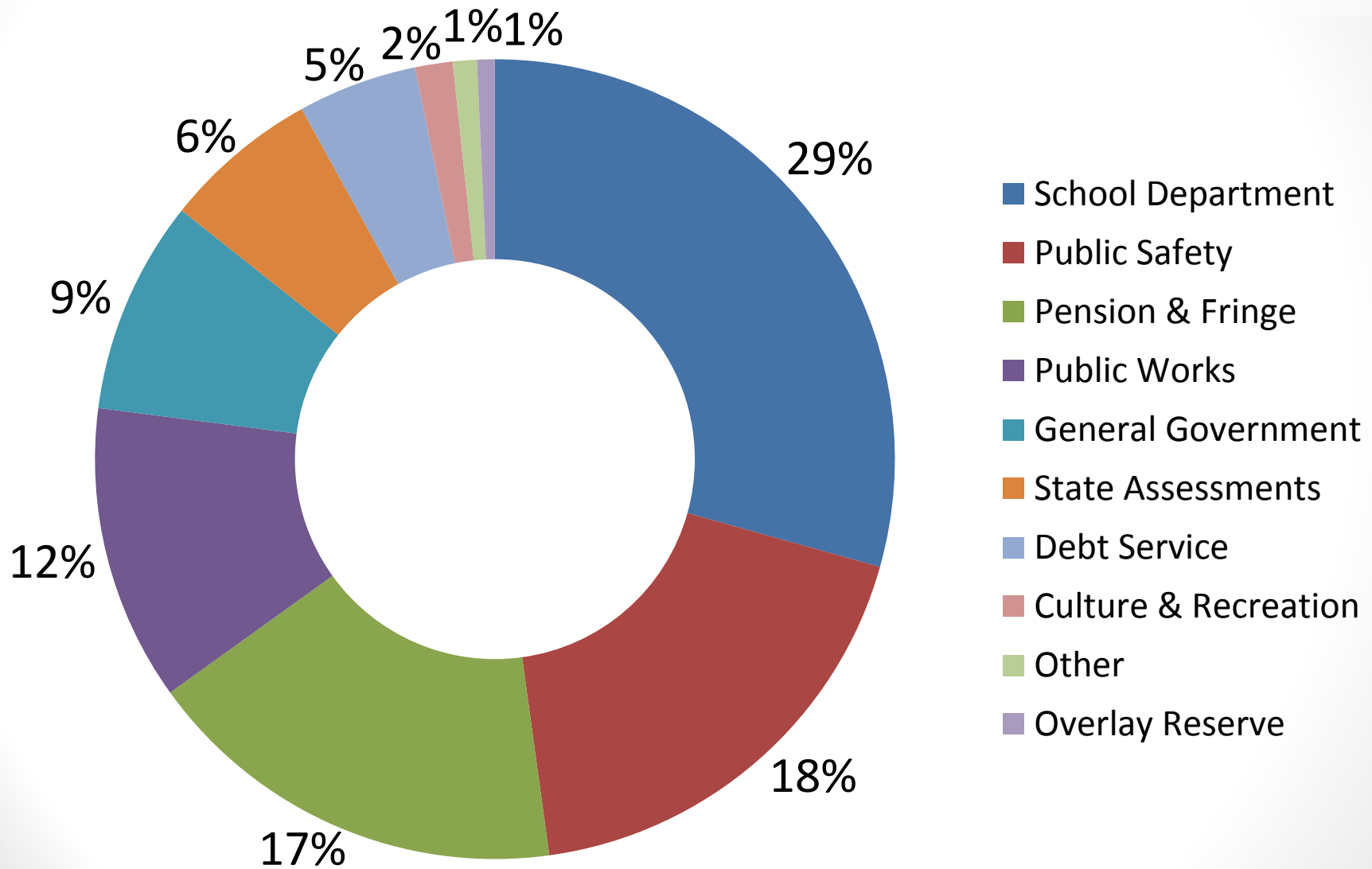
FY2017 Appropriations

Proposed Operating Budget = **\$222,947,719** Million

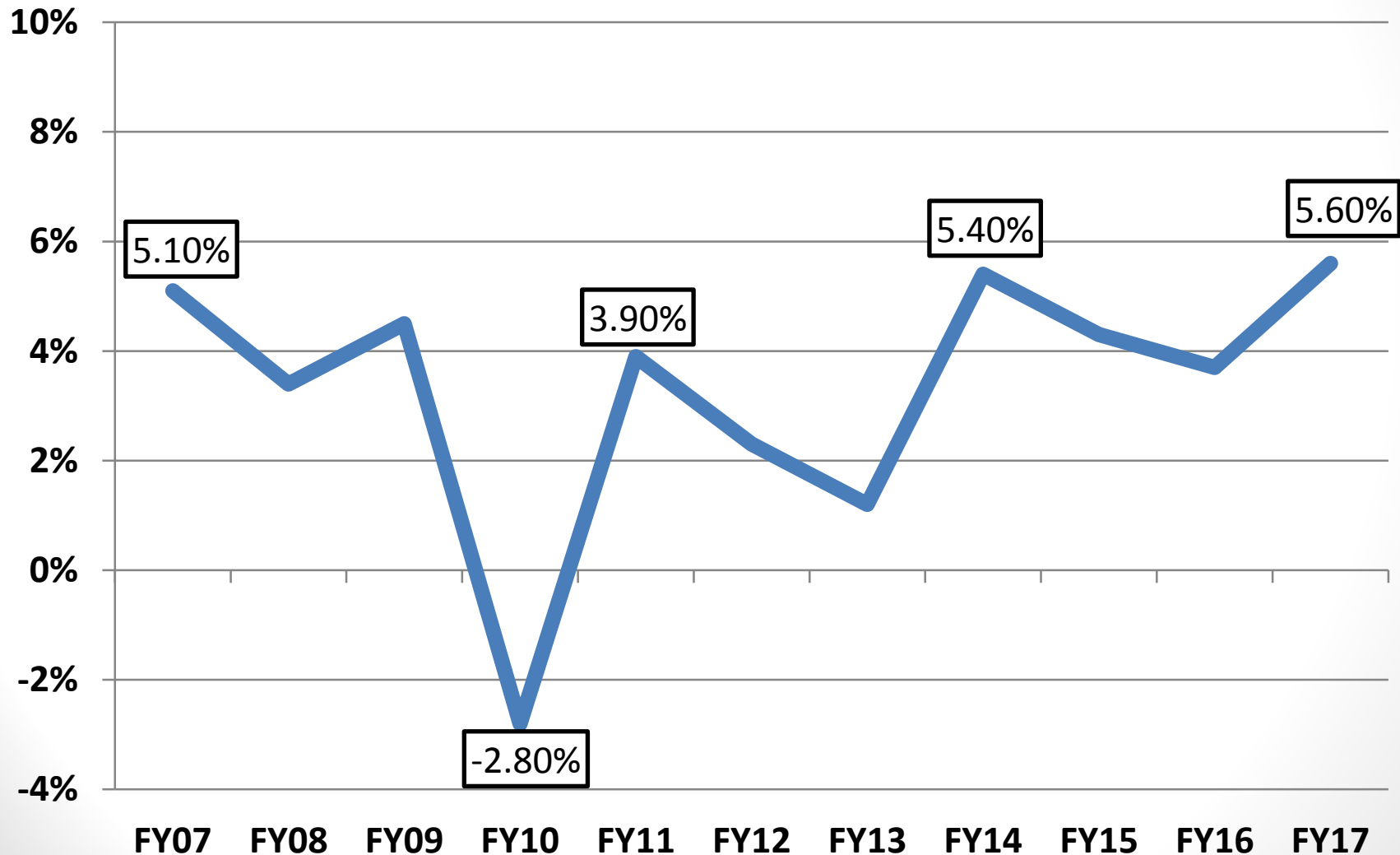
Total Municipal Appropriation = **\$207,314,582** Million

5.6% over FY2016

Operating Budget

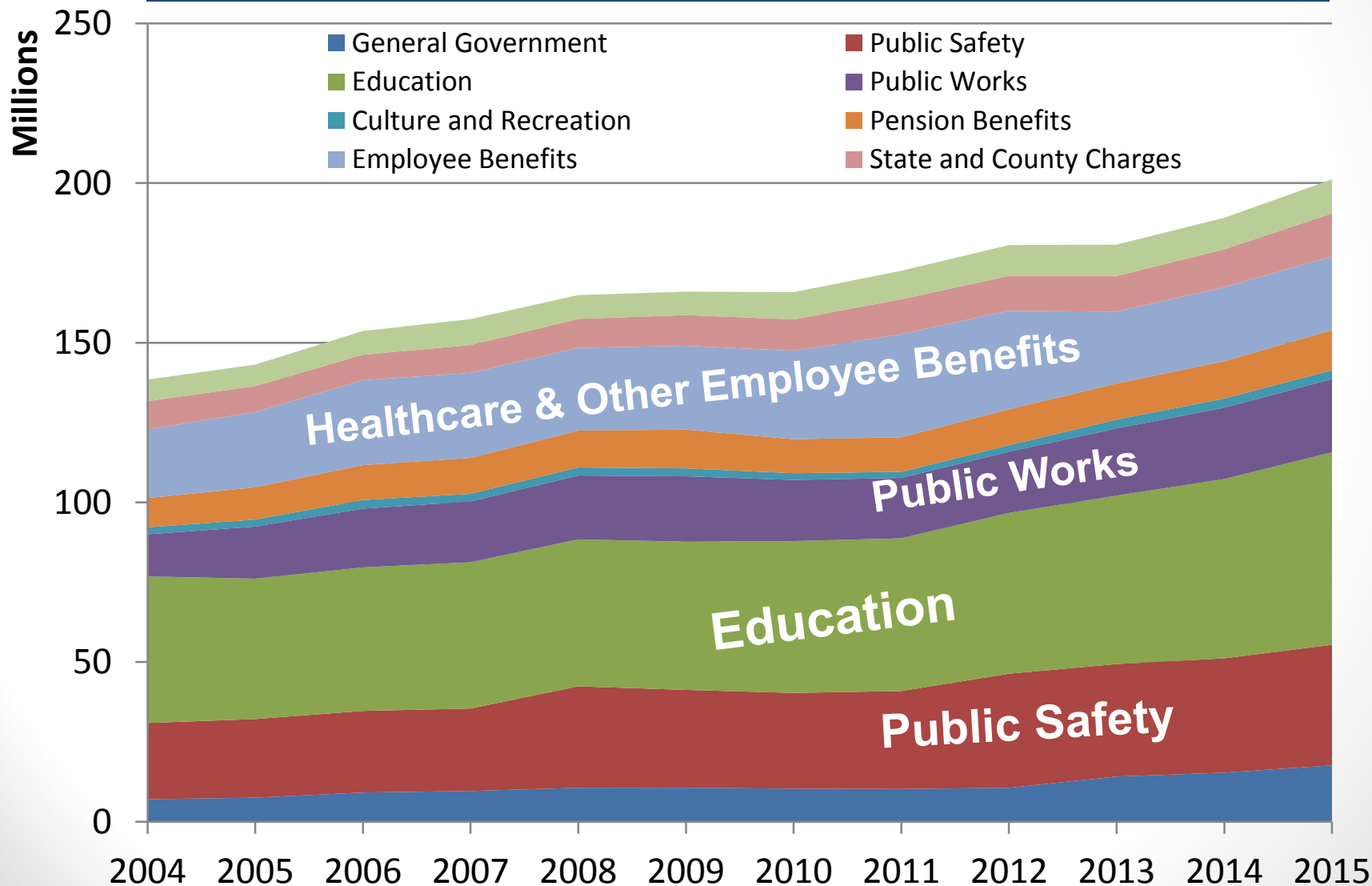


Historical Spending Increases Have Been Modest



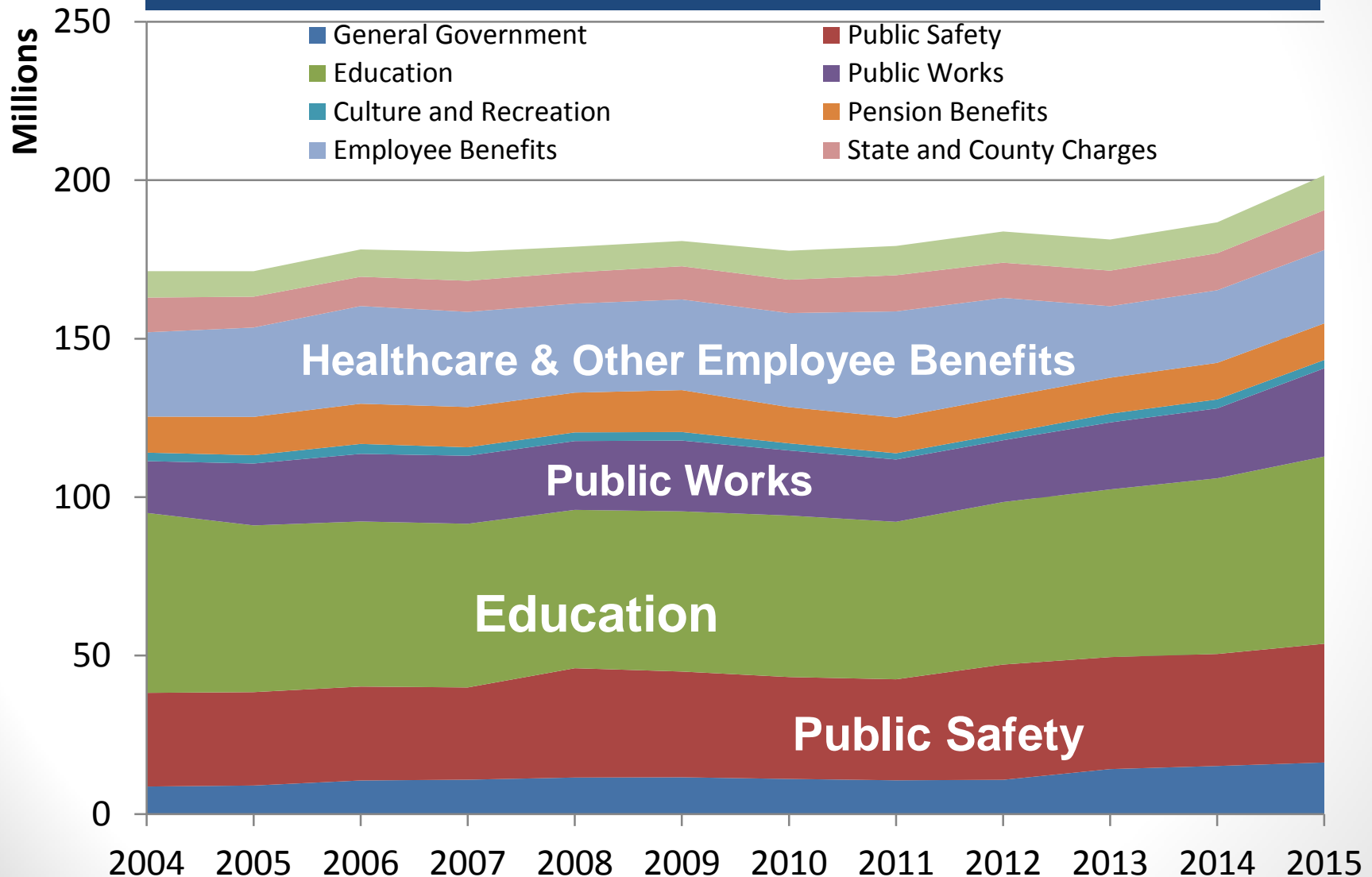
Operating Budget Actuals FY04-15 (Real Dollars)

Education and Public Safety have been the largest cost drivers over the last decade.

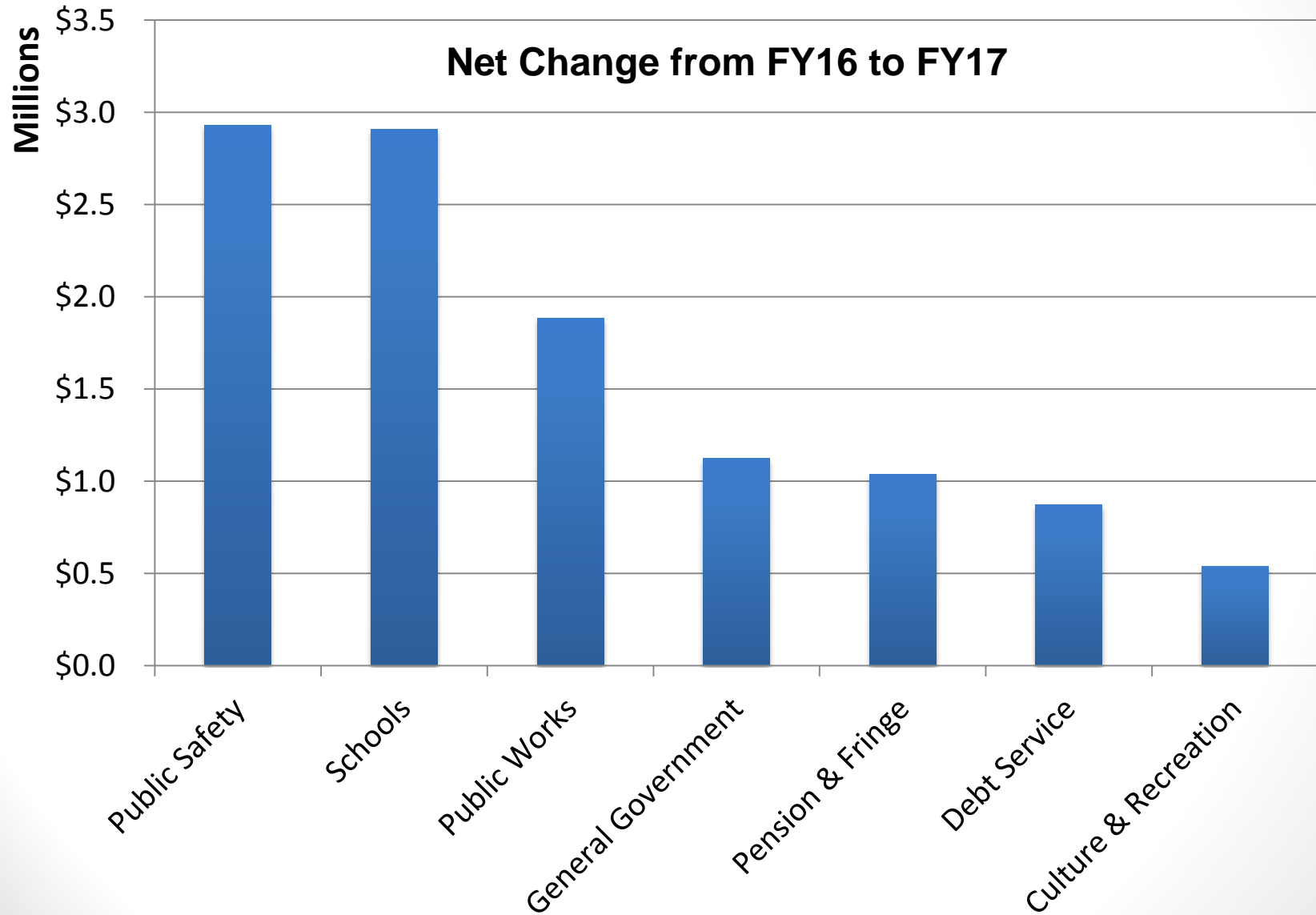


Operating Budget Actuals – FY04-15 (Inflation-Adjusted)

Adjusted for inflation, expenditures show modest growth focused on improving City services and our school system.



Values-Driven New Investments & Increasing Fixed Costs



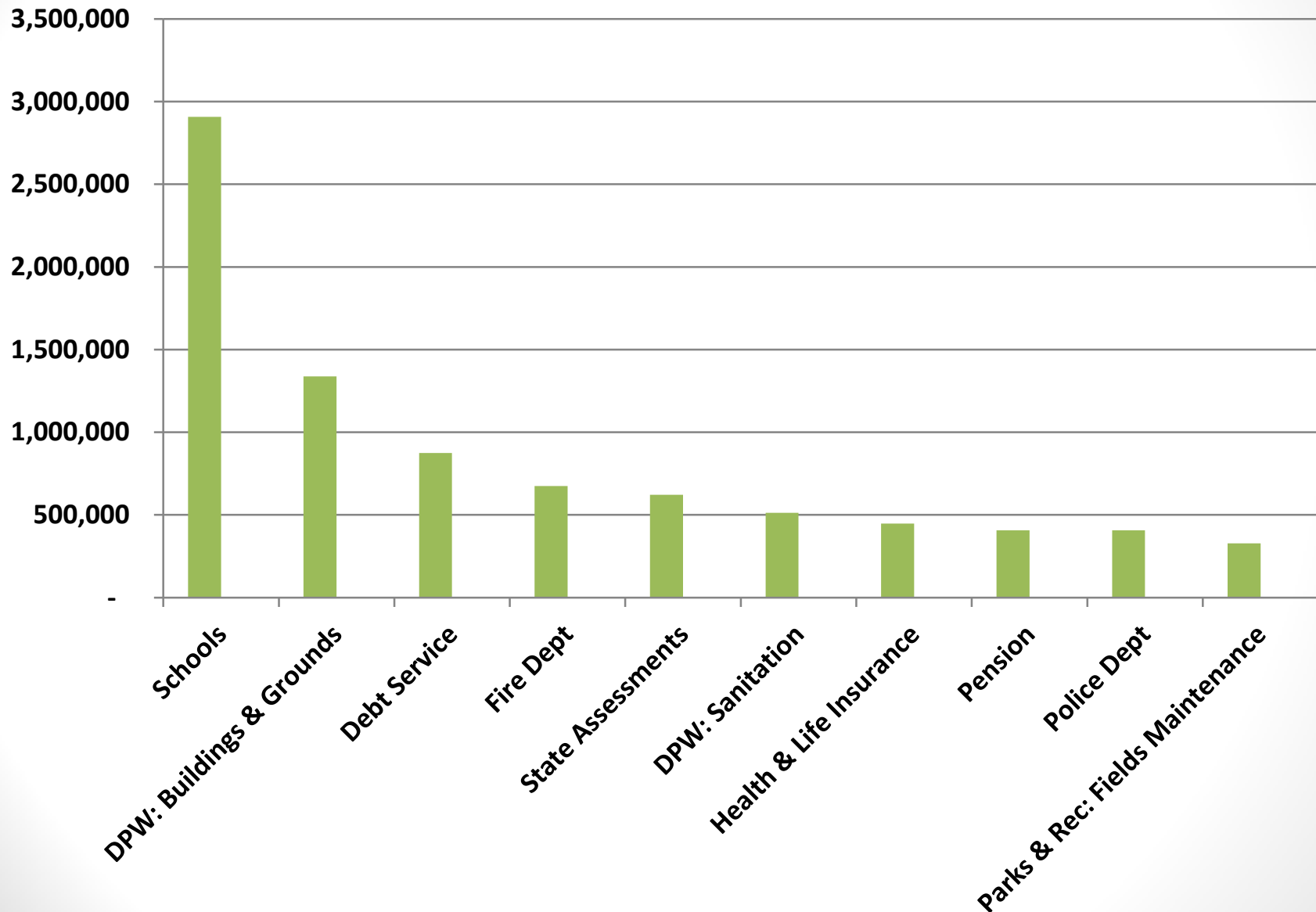
We will NOT be going to the tax levy limit



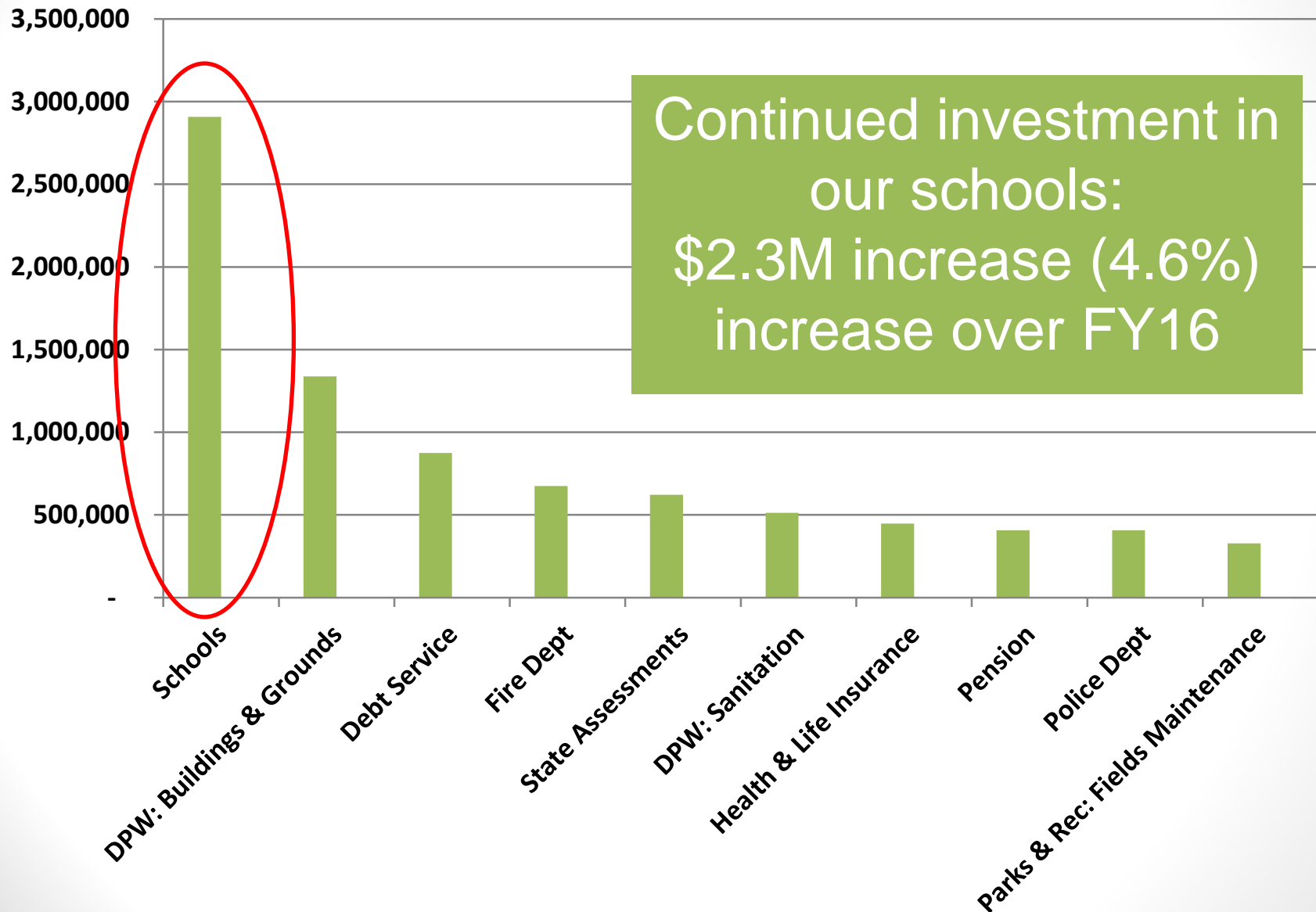
FY17 Levy Limit = \$136M

\$650k
under
limit

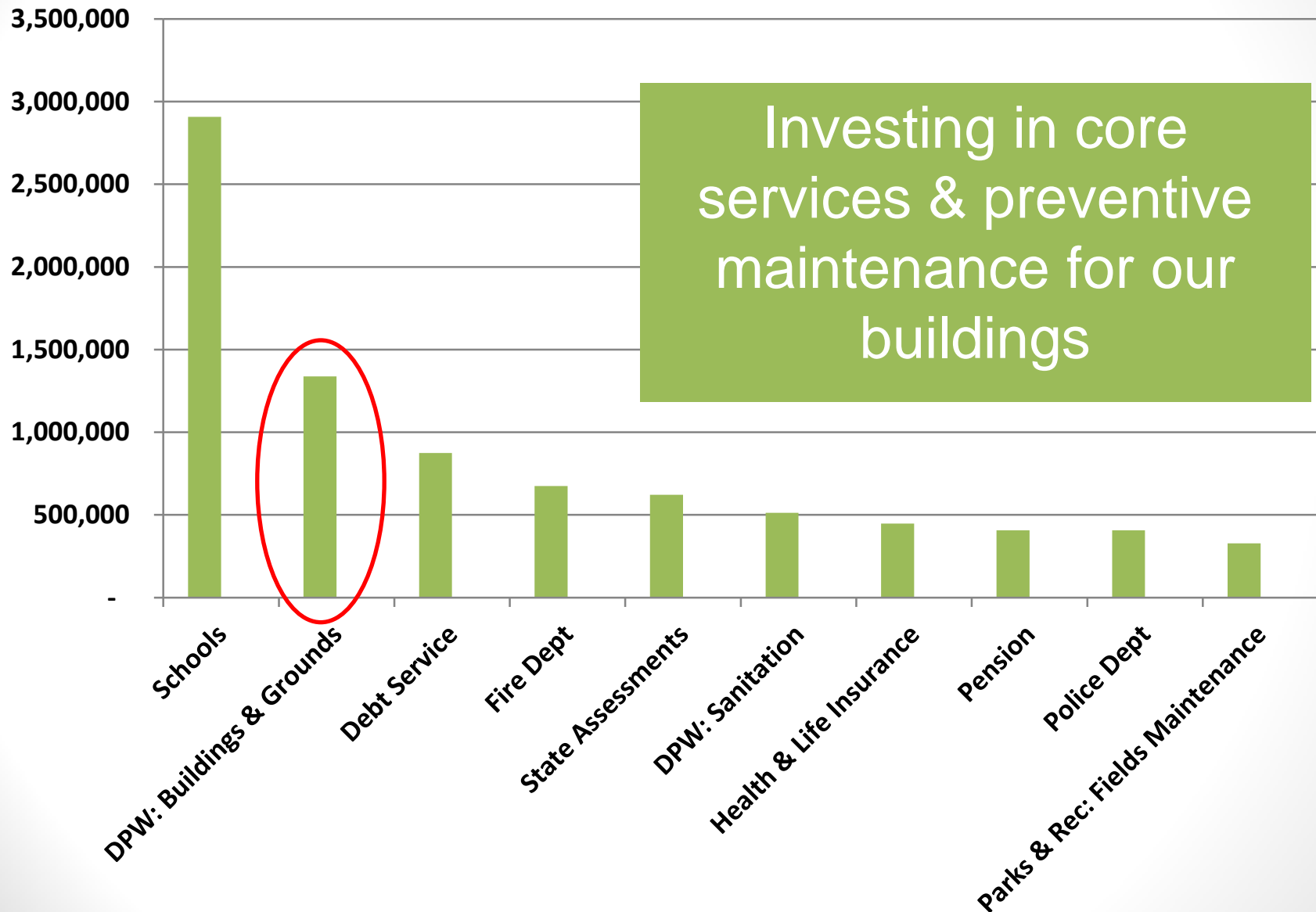
FY17 Highlighted Investments



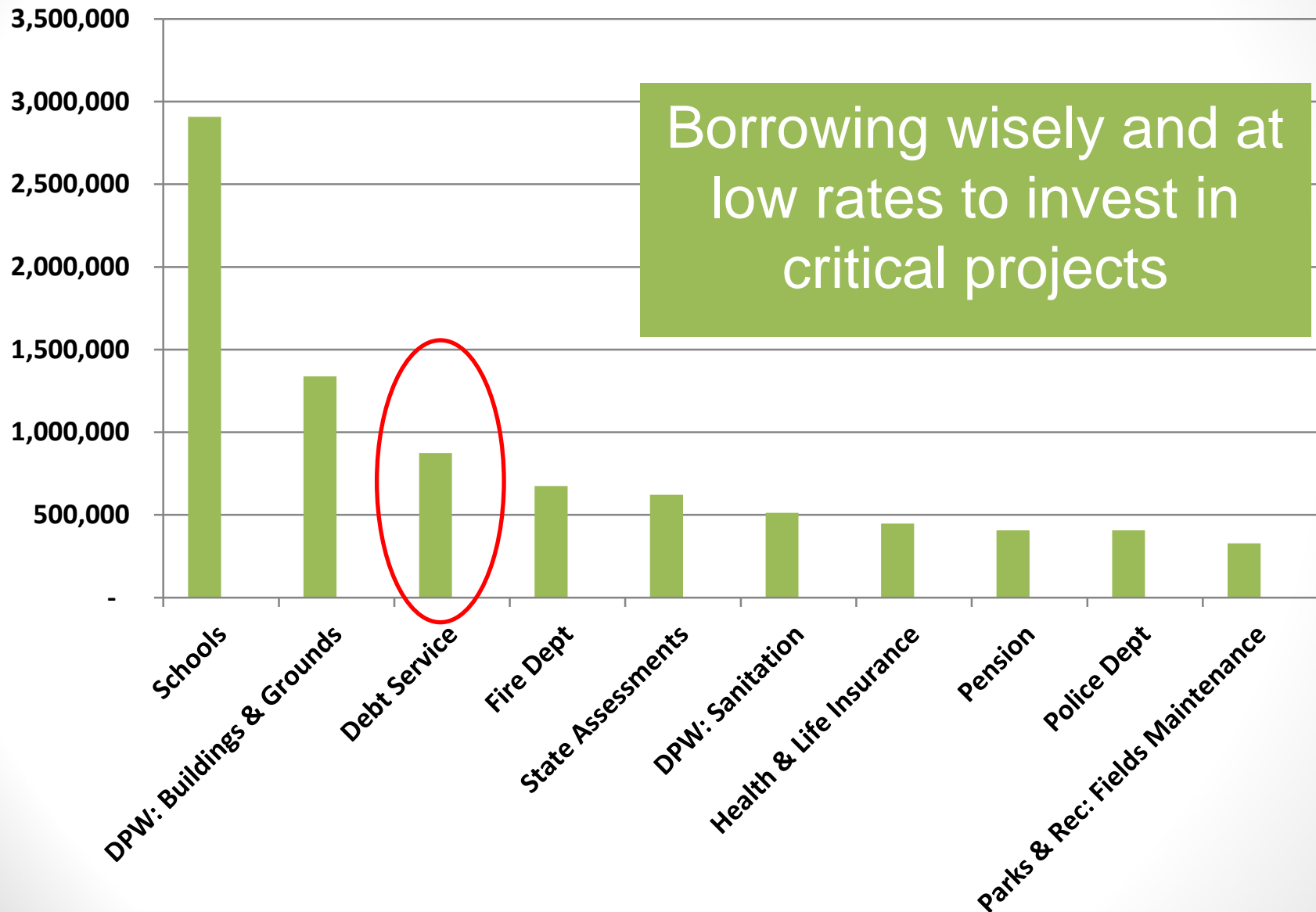
Investing in Our Schools



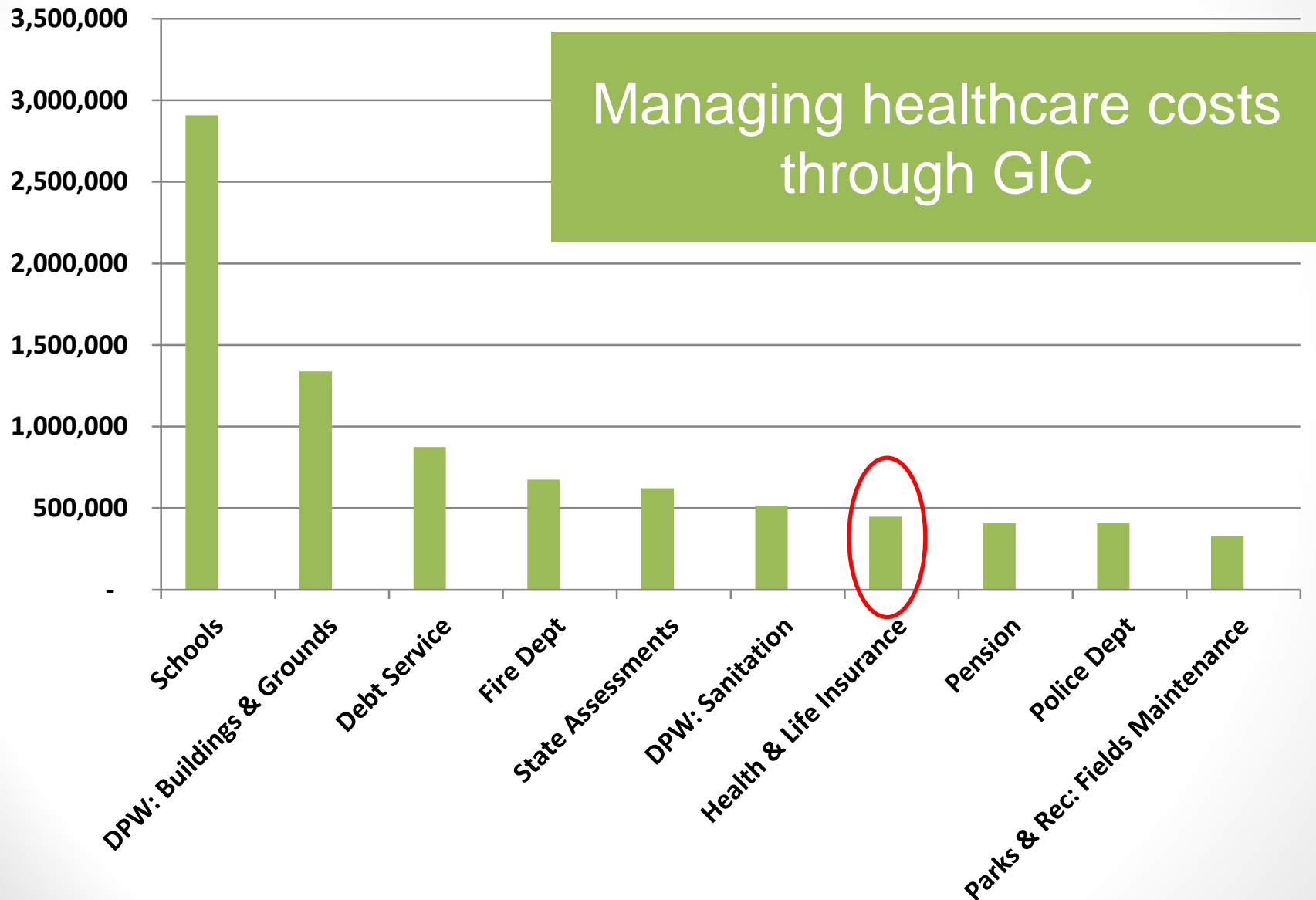
Maintaining Our Assets



Investing in Our Future



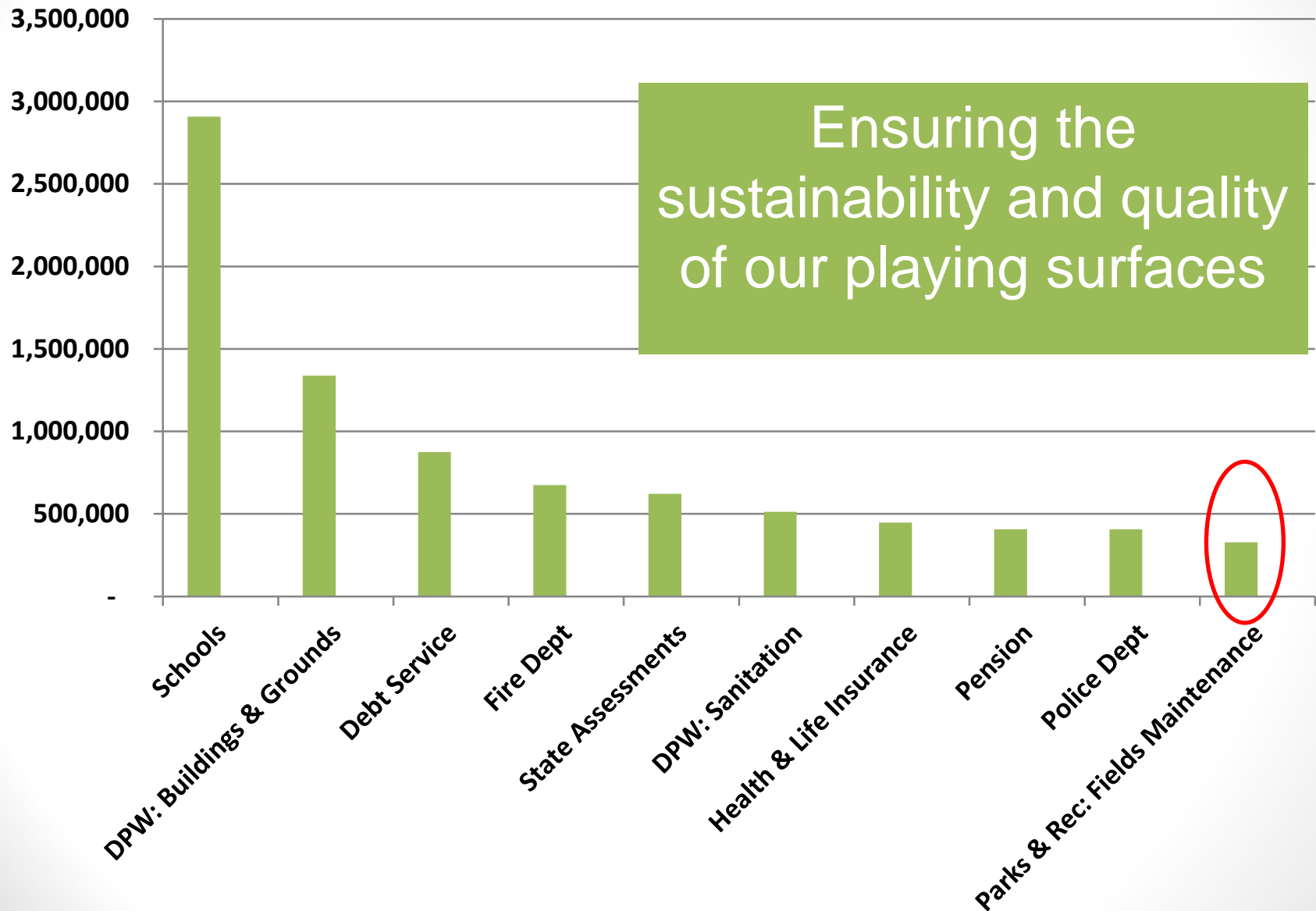
Controlling Our Costs



Sound Fiscal Management

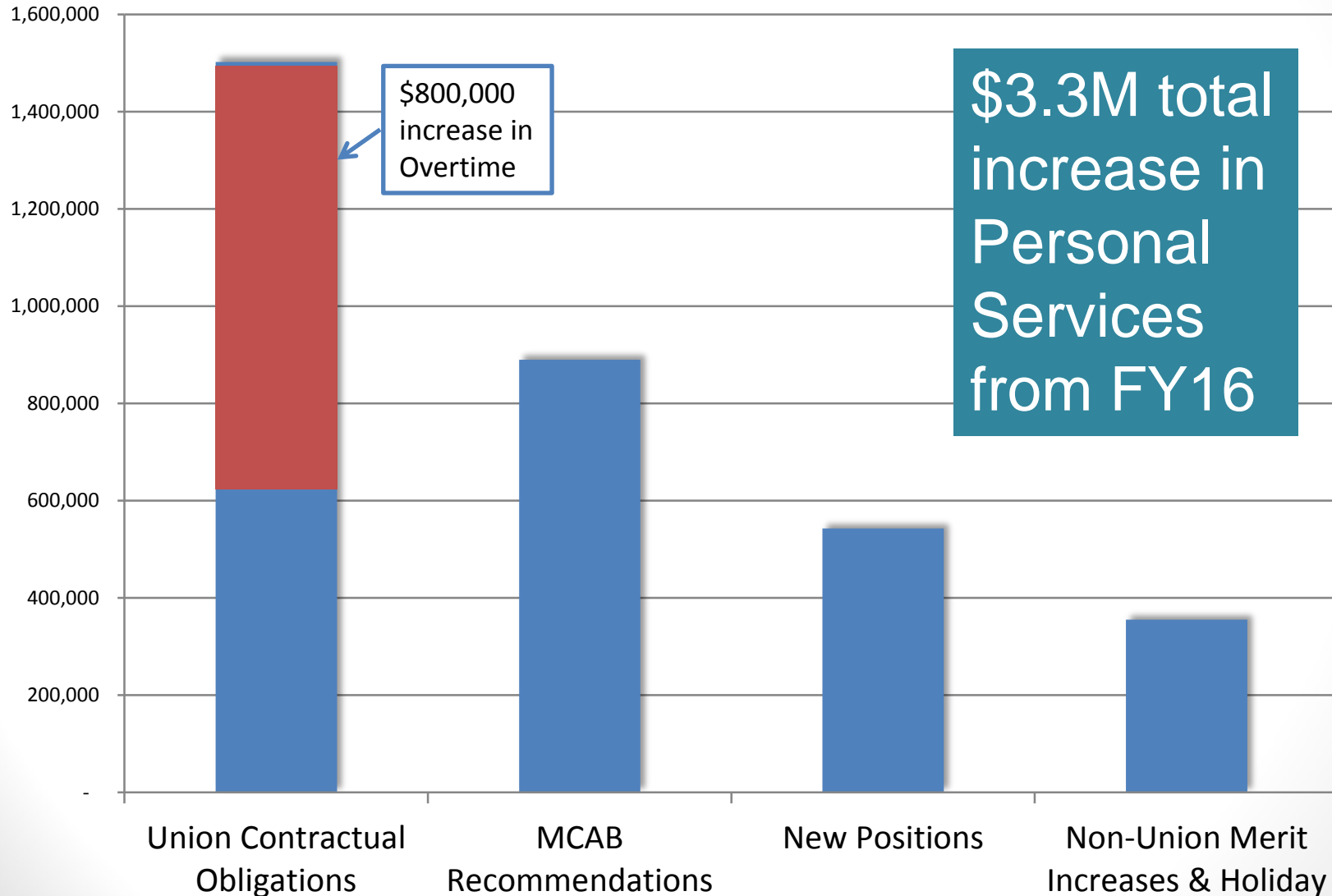


Improving Our Athletic Fields

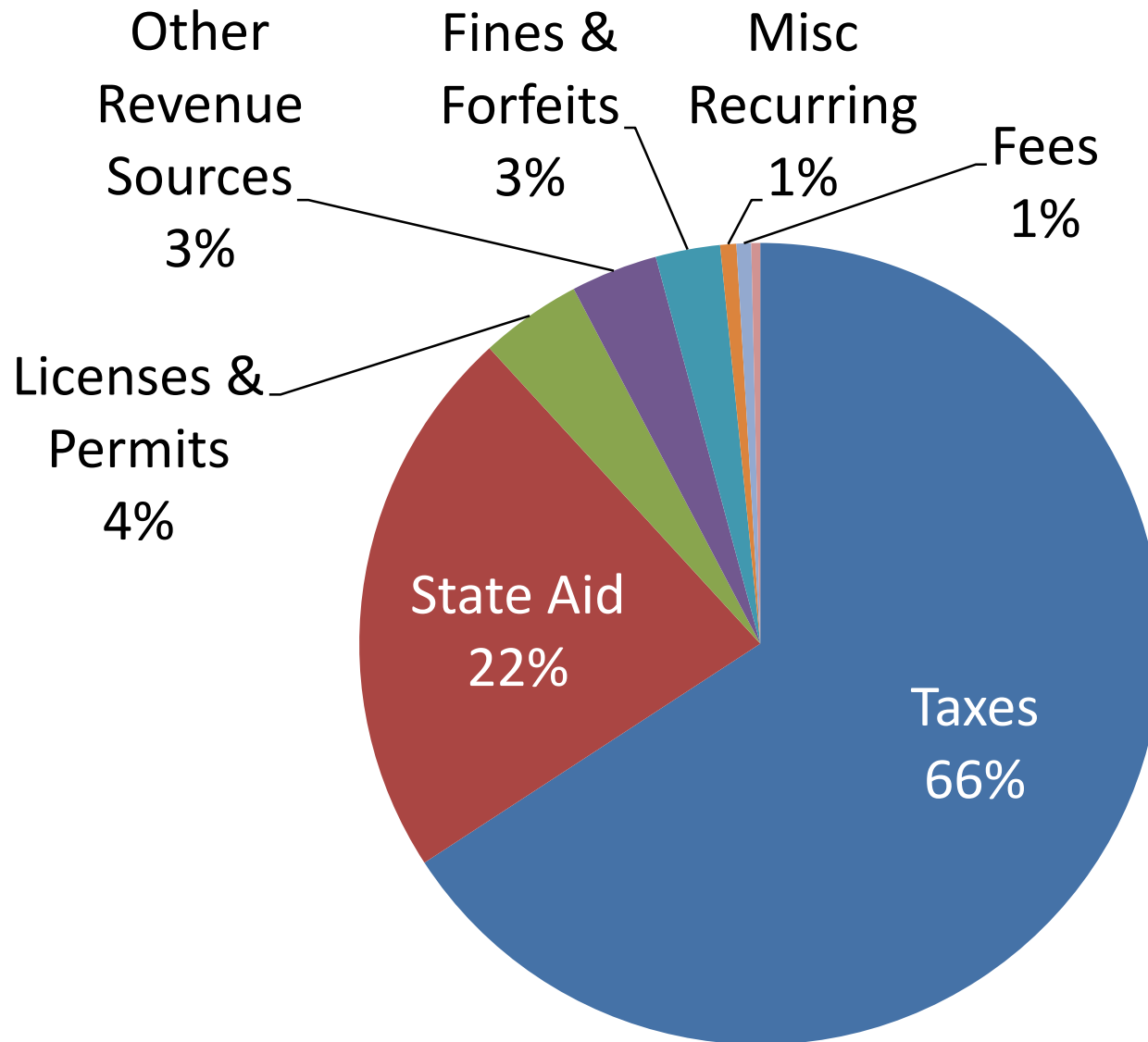


Personal Services: Fixed & New Costs

Personal Services Changes FY16 to FY17



FY2017 Revenue by Source



Changes in Revenues

Income Updates

- Powderhouse school sale
- Increased hotel and meal taxes
- Increased PILOT payments
- Increased building permits
- State aid up slightly (3.7% over FY16)

Fee Updates

- No fees will increase
- New marijuana dispensary siting permit fees
- Motor vehicle excise tax increasing due to increase in the value of car purchases (nationwide trend)

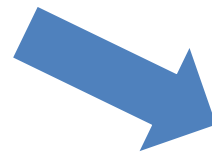
Four Administrative Orders

Move Engineering under
Capital Projects

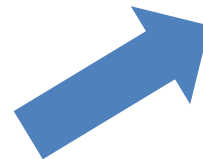
Merge Water and Sewer
into unified department

Expand Recreation to
Parks & Recreation

Establish a Fleet Division
within DPW

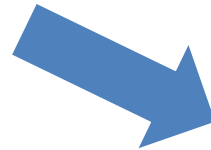


Optimizing
coordination of
key functions

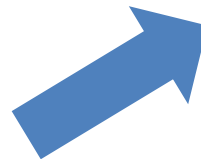


Four Administrative Orders

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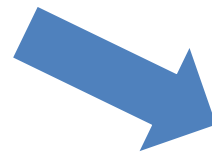


Coordinating
management of
critical capital
projects

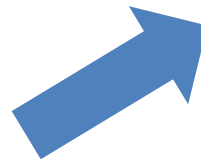


Four Administrative Orders

Merge
Water and
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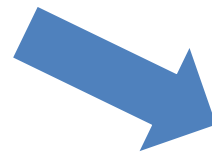


Applying best
business practices
to a \$30M+
enterprise

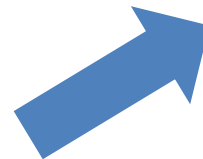


Four Administrative Orders

Expand
Recreation
to Parks &
Recreation

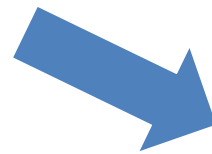


Fostering
specialization on
core priorities:
Fields

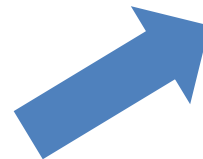


Four Administrative Orders

Establish
a Fleet
Division
within
DPW



Coordinate care
and maintenance



Building on Our FY16 Investments in FY17



Our Big Picture Investments Are Paying Off

**Student
MCAS
Growth is
Up**



**The GLX is
Under
Construction**



**Crime is
Down**



**Permit
Revenue is
Up and
Growing**



**Reserve
Funds are
Up**



**Hotel &
Meals Tax
Revenues
are Up**



Our Core Service Investments Are Paying Off

**Student
Substance
Abuse is
Down**



**Food
Inspections
are Up**



**Road surface
improvements
are Up**



**Senior
Program
Participation
is Up**



**Library
Services
Use is Up**



**Number of
Water Mains
Replaced
Doubled**



Together We Improved Services

**LED
Streetlights
Installed
Citywide**



**Affordable
Housing
Efforts
Intensified**



**34.5 Miles of
Water Mains
Flushed**



**More services
moved online
and into the
cloud**



**Total
Residents
receiving City
info is up**



**Annual
Energy
Savings
Increased**



Together We Built Academic Strength with Smart Investments

- Somerville Public Schools led all urban school districts in Student Growth Percentile (SGP) for **3rd straight year**
- Only urban district among **top 15%** for combined growth in ELA & Math
- Overall District Composite Performance Index has improved in every subject for last 4 years (Math, ELA, Science)



A group of children are working on a project at a table. In the center is a wooden box with a rainbow-colored fabric cover. Various materials are scattered on the table, including markers, a green cup, a clear plastic container, and a book titled "Draw Bots". One child is holding a blue cup, and another is holding a green cup. The background shows a kitchen area with a sink and a stove.

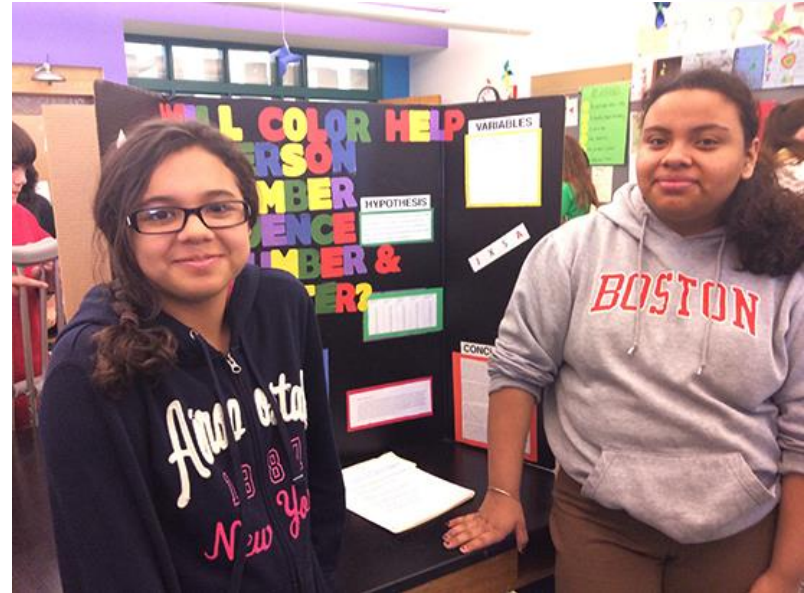
Focus on School Technology

- Maker space expansion
- Fab lab at SHS
- New Technology Innovation Specialist
- STEAM pilot at Healey
- SHS First Robotics team
- Online registration for PIC
- Increase technology use for students at-risk of dropout
- Expand Student Insights dashboard to all schools



Programs for All Students

- Special Education capacity building
- Additional pre-K classrooms with CAAS and afterschool programming
- Expansion of college & career readiness programs
- Expanded student services & mental health services
- New Language & Leadership Liaison
- Creation of New Starts program with SCALE for students with educational gaps
- Investments in staff development and support



Together We Intensified Affordable Housing Efforts



- Sustainable Neighborhoods Working Group (SNWG) discussions complete.
- SNWG Report issued.
- Recommendations Review Committee evaluation complete.
- Next steps: Reengage SNWG and launch community discussions.

Now We Must Grow Affordable Housing Resources

New Inclusionary Housing Specialist to support the creation of and access to inclusionary opportunities



- 70% of inclusionary housing units have been created since 2010
- 30% of units created during prior 20 years
- Staff has not increased during that time

Together We Improved our Infrastructure above ground . . . and below



**Tackling Decades of
Deferred Maintenance**

**Enhancing
Quality of Life**

**Preparing for
Redevelopment**



We Must Manage & Shape Our Growth

\$1.2B in new growth in next ten years as direct result of Green Line Extension

- New Projects Manager for Capital Projects
- New Community Outreach Coordinator for Planning & Zoning

We Must Maintain Our Assets

We must both maintain our assets as well as address decades of deferred maintenance

- Water Catch Basin Cleaner
- Sewer Public Works Worker
- Night Custodian
- Fleet Mechanic

Together We Strengthened Recreational Programming



Now We Will Enhance Our Recreational Resources: Our Fields

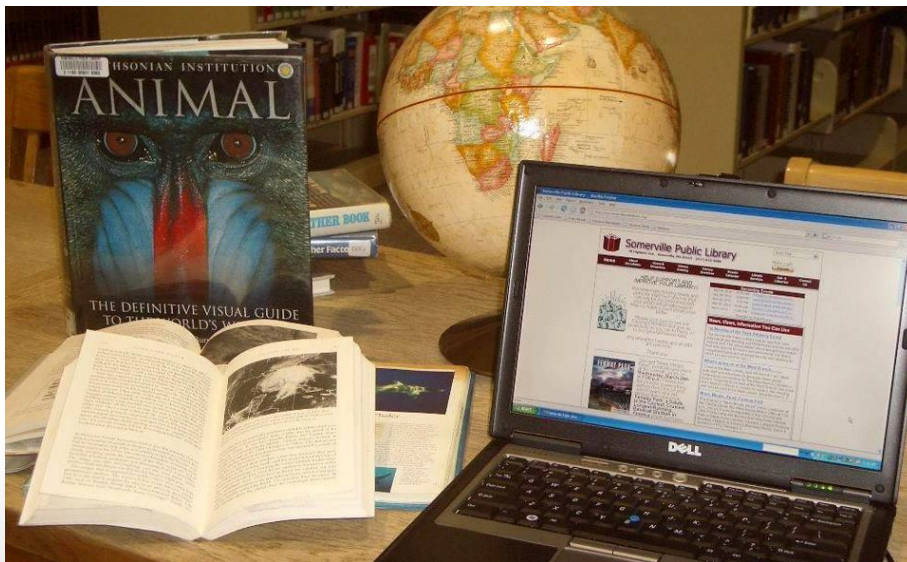


- Expansion of Recreation Dept. to Parks & Recreation Dept.
- Creation of Fields Division within Parks & Recreation
- Development of new Fields Maintenance Plan

Library Use is Growing & Evolving

Library usage is shifting from borrowing materials to programs like ESL classes and Teen Room activities.

New Assistant Director and Branch Specialist will keep all three library locations appropriately staffed and allow the Library to offer new types of programming that patrons value.



Investing in our Human Capital

Recruiting and retaining high-quality, diverse staff

- MCAB Approved Salary Adjustments
- New Part-Time Recruiter for Personnel

- Increase retention to avoid:
 - Loss of productivity
 - Loss of continuity & institutional knowledge
 - Replacement costs
- Recruit quality talent
- Support diversity goals

Investing in Good Governance

- New Legislative Liaison
- New BOA Researcher



Addressing Equity & Inclusion

- New Equity and Inclusion Coordinator
- Support for staff training
- Development of new diversity plan

Conversations
on Race and
Racism

Fall 2015

Expanding Services for our Most Vulnerable Residents

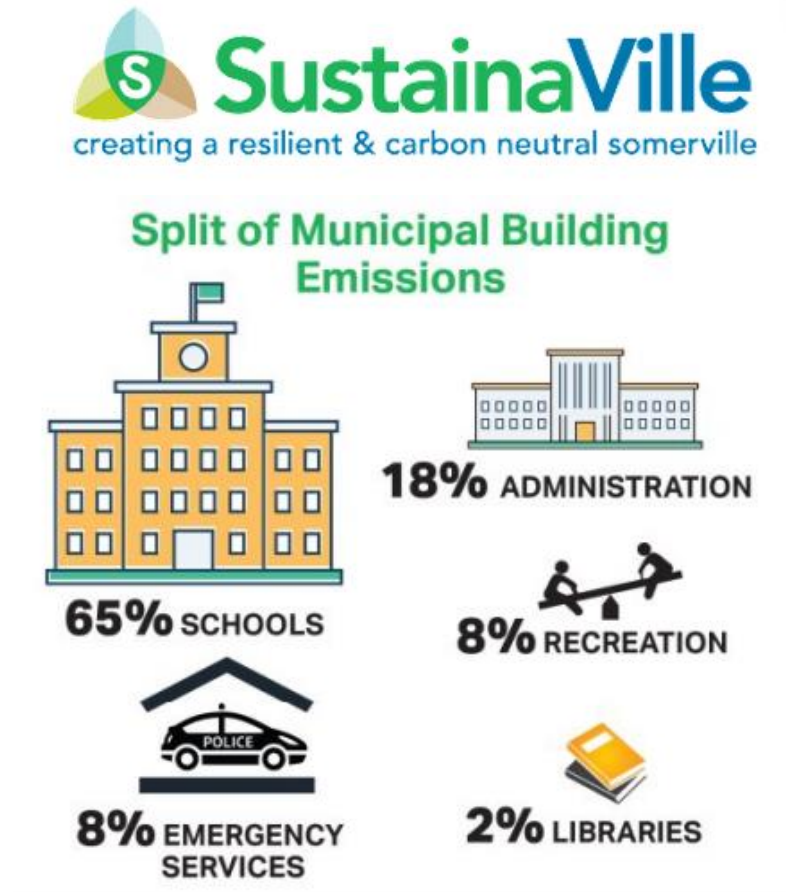
- New Health and Human Services Social Worker
- New partnerships with local providers
- Dedicated season staff for Mobile Farmers Market

Homelessness
Task Force

Fall 2015

Addressing our Greatest Challenge: Climate Change

- New Sustainability Coordinator
- Climate Action Plan
- Community aggregation



Community Preservation Act



Open Space & Outdoor Recreation



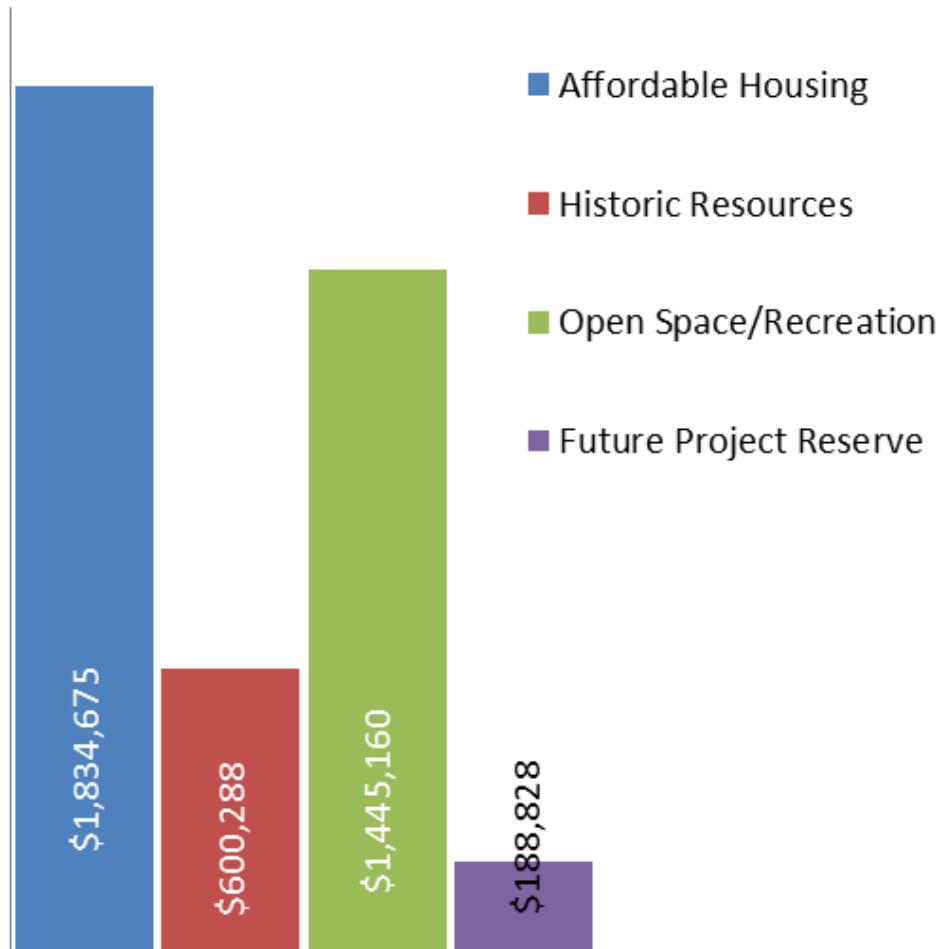
Affordable Housing



Historic Preservation

Community Preservation Act

\$4 million available in FY16 will fund...



- 100 Homes Pilot,
- Mystic Water Works and more
- Milk Row Cemetery
- Somerville Museum
- Allen Street Open Space
- Hoyt-Sullivan Playground
- Groundwork's South Street Farm
- Community Path Repaving

3 more FY16 projects are still under review by the Aldermen:

- Additional Appropriation for Affordable Housing Trust Fund
- Community Path Design
- Open Space & Recreation Land - Acquisition Fund

Growth made possible by conservative fiscal management



Together, we've kept our finances strong and sound

Our highest bond rating ever

A growing commercial tax base

Growing stabilization funds

Addressing long-term liabilities

Highest Bond Rating Ever

S&P

A+

2004



AA+

2014

Moody's

A2

2004



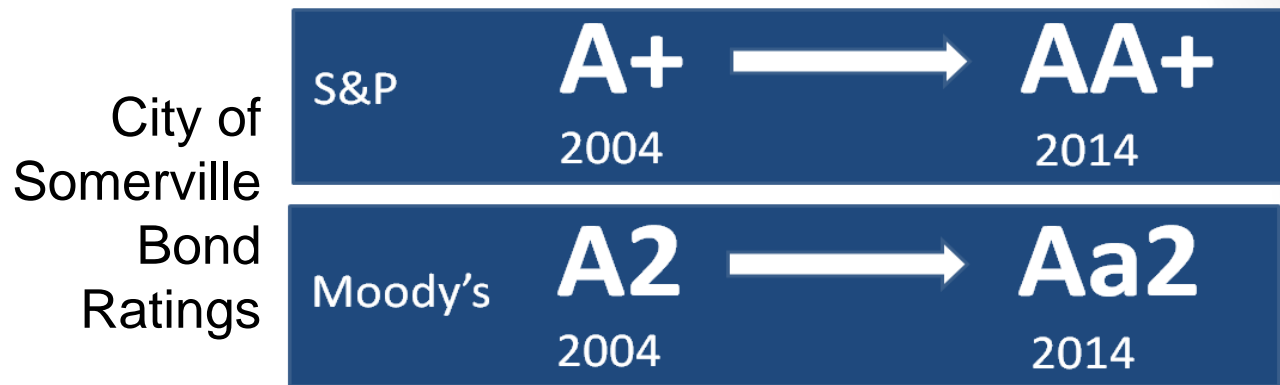
Aa2

2014

Ratings guarantee savings for Somerville

Bond Rating Agency Metrics

- 30%** Economic Development
- 20%** Management
- 10%** Budgetary Flexibility
- 10%** Budgetary Performance
- 10%** Liquidity
- 10%** Debt & Contingent Liability
- 10%** Institutional Framework



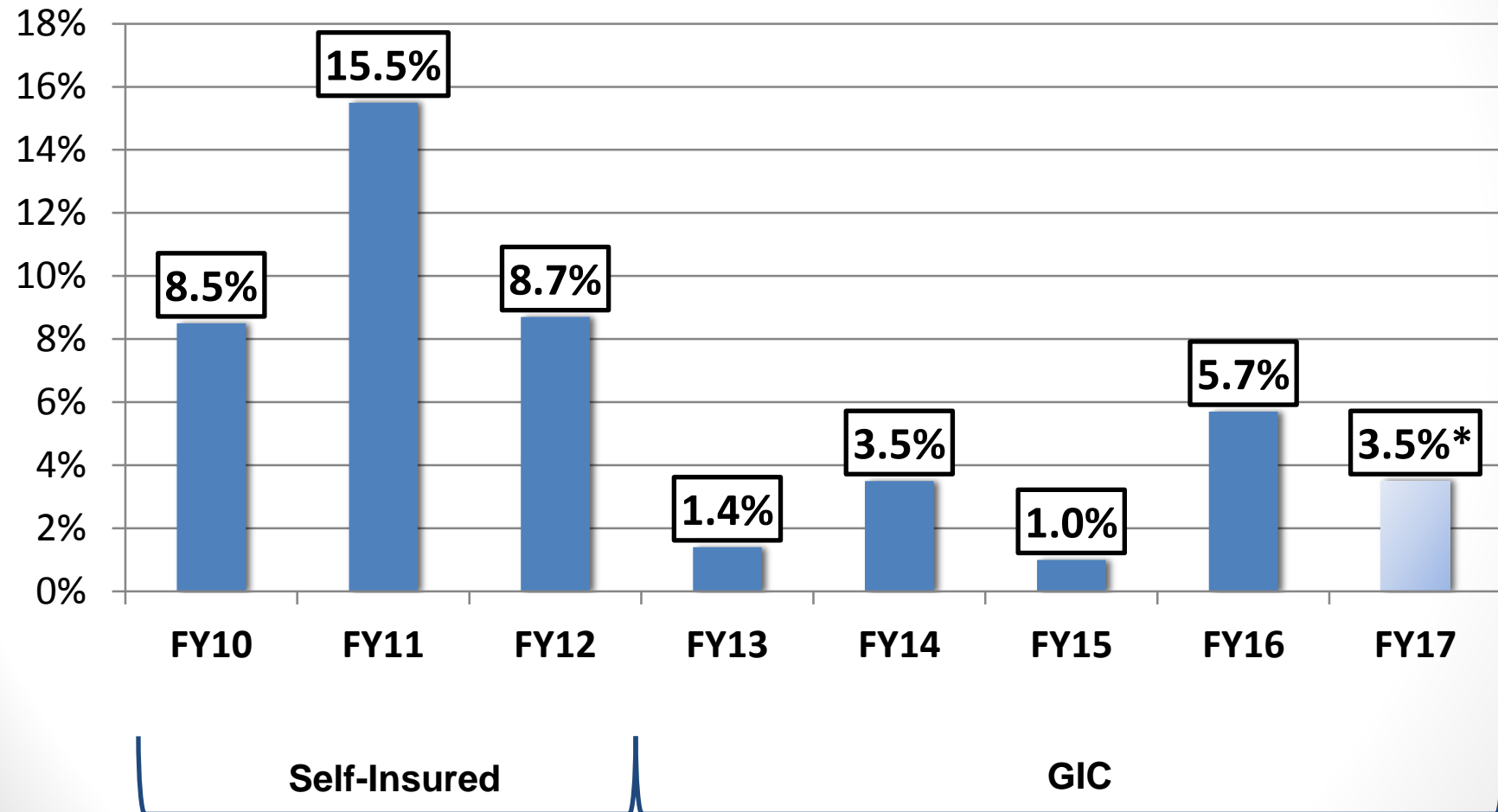
Praise Noted in S&P 2016 Rating

S&P Global Ratings

- “Strong management, with "good" financial policies and practices”
- “Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);”

Managing Fixed Costs

Average Health Insurance Premium Increases from Previous Year



One of the Lowest Spending per Capita in State

(General Fund FY16)



Somerville: \$2,581



Boston: \$3,320

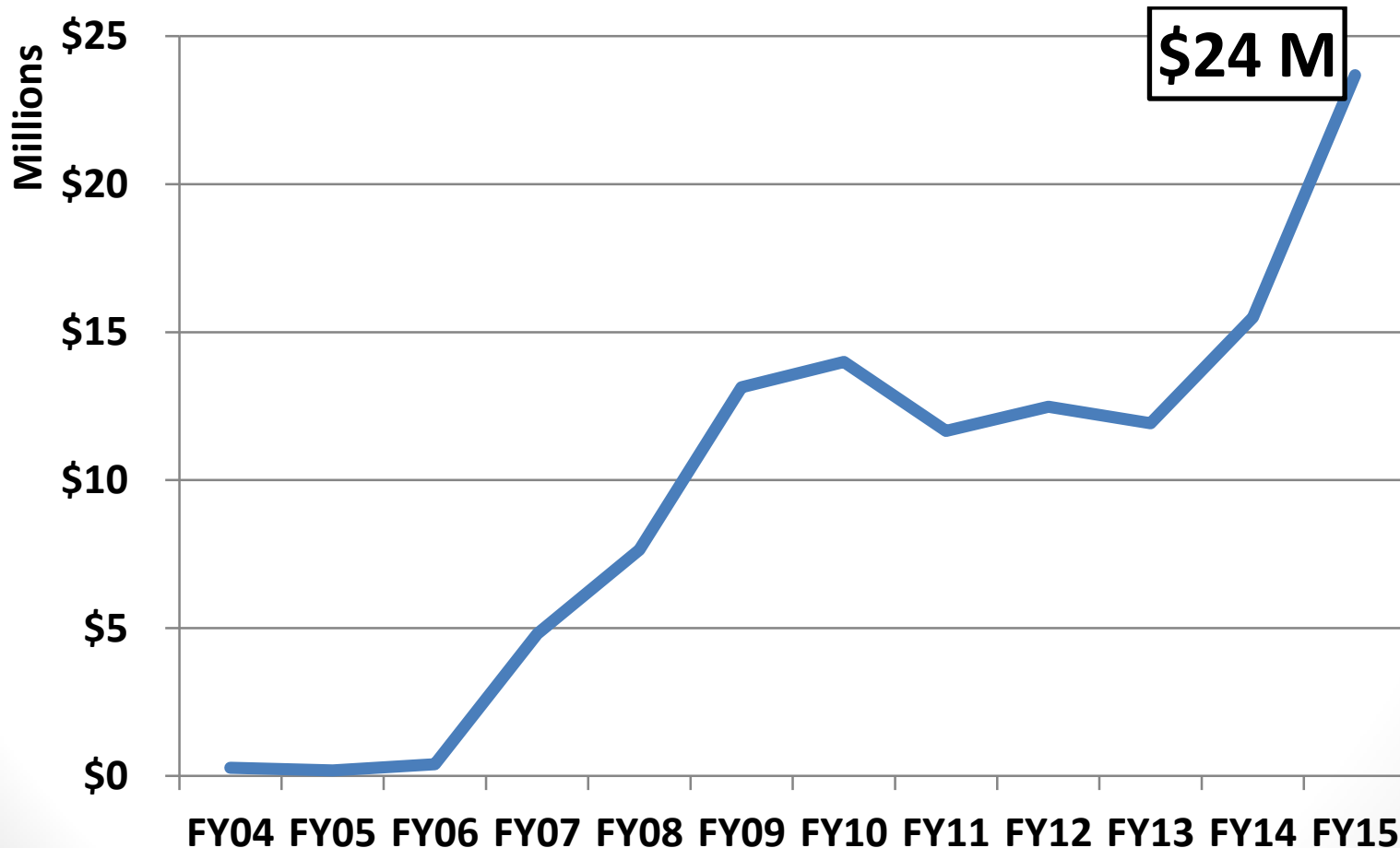


Cambridge: \$5,058

{ 56 }

Increasing Stabilization Funds

Over the last decade, the City has appropriated significant reserves within Stabilization Funds – funds appropriated for specific purposes: capital projects, parks, collective bargaining outlays, and street reconstruction.



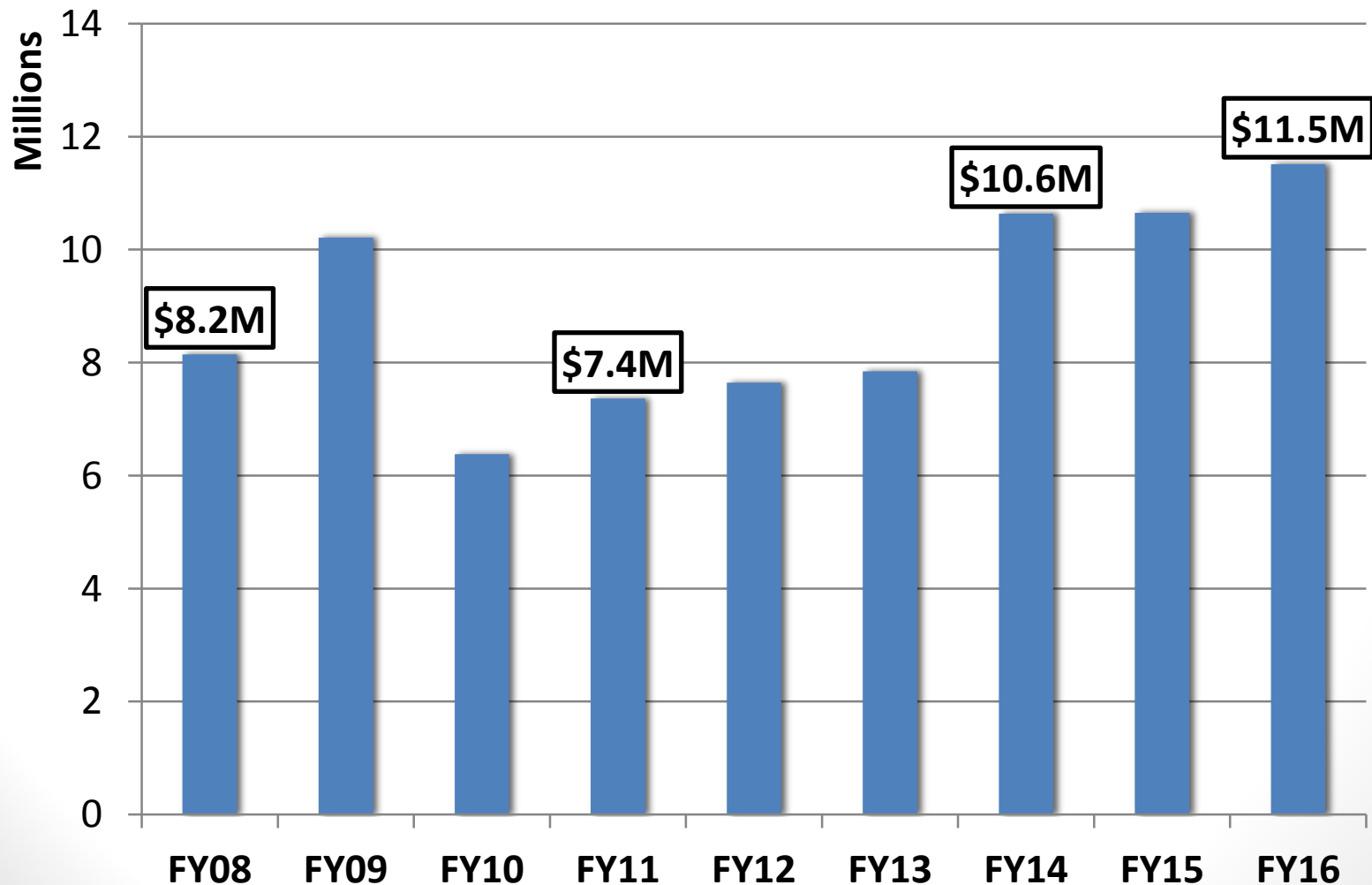
Guidance on free cash

From the Department of Revenue:

- “Free cash: a non-recurring revenue source, a prudent use of free cash would be to fund one-time expenditures, a capital purpose or replenish other reserves”
- “It’s like having a saving account, not a checking account. ... used for extraordinary things or should problems occur.”

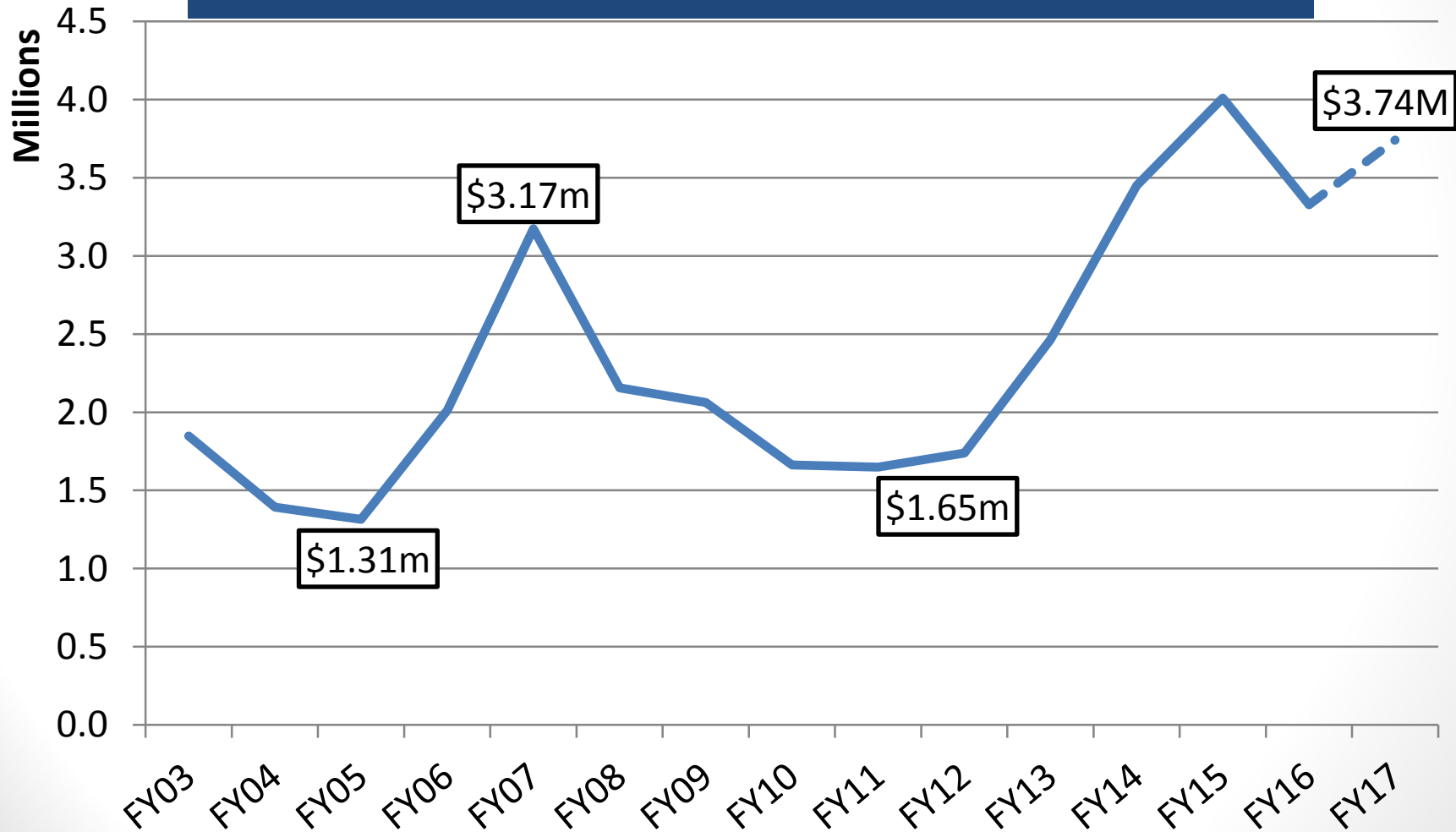
Maintaining Free Cash

Conservative budgeting practices and fiscal responsibility have led to growth in Free Cash certifications, creating flexibility for capital expenditure financing and reduced need for borrowing.



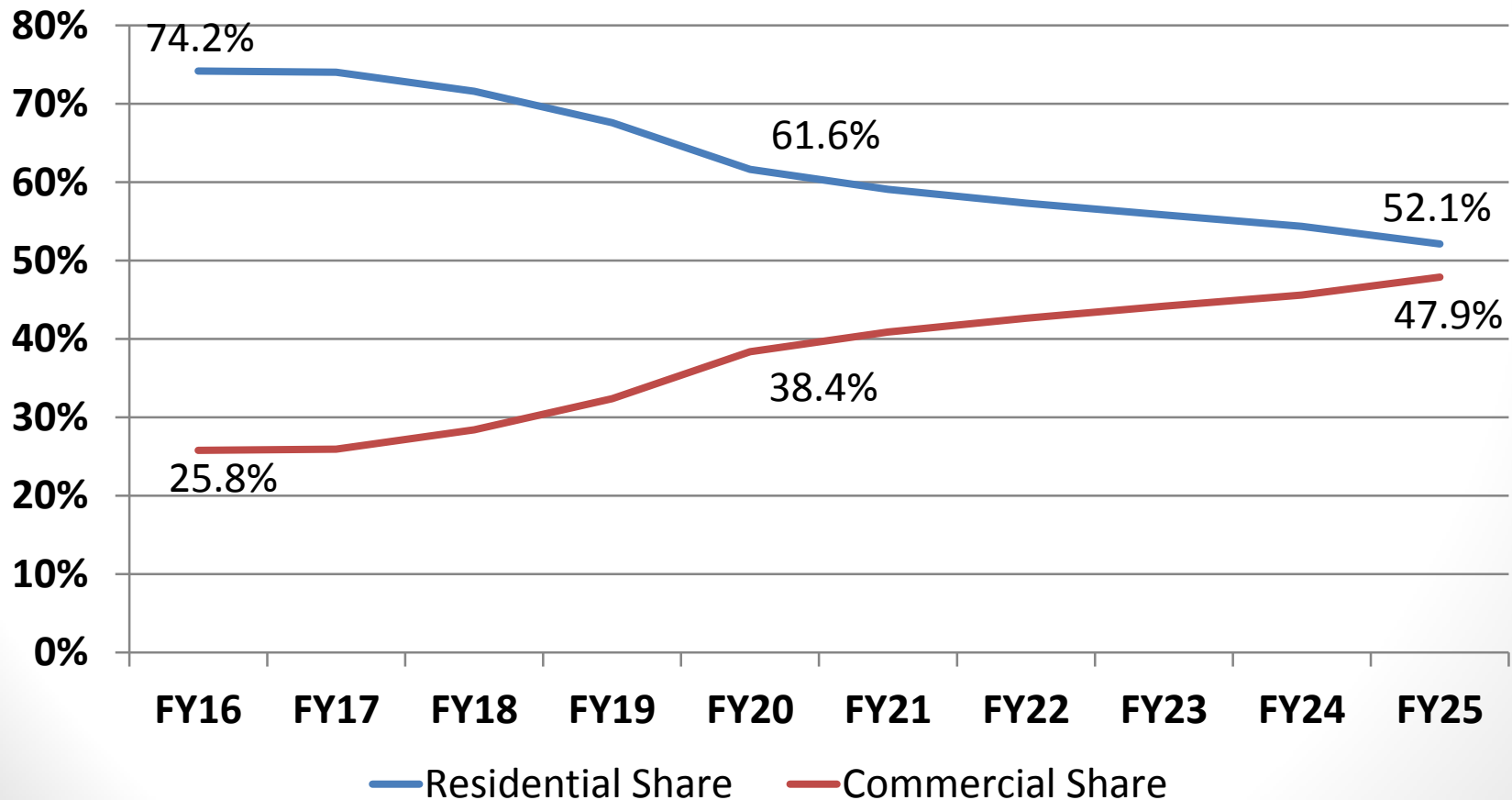
We have achieved the most new growth in a decade

Annual New Growth FY03-17*



Together, we're working to shift the tax burden

Projected Residential/Commercial Tax Share



Businesses are choosing Somerville

247

net new businesses in

4.1

square miles

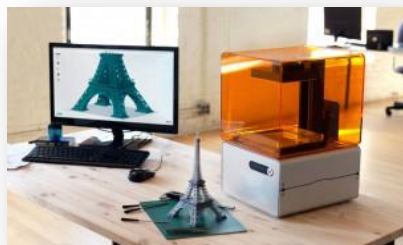
from **2013-15**

As of June 2016



Somerville's 10 Best-Funded Startups

The city has turned into an up-and-coming place for tech activity.



formlabs



drync



Recorded Future
CREATING AN INSIGHTFUL WORLD



PillPack



ALTAEROS
energies



New & Expanding Businesses



avigilon



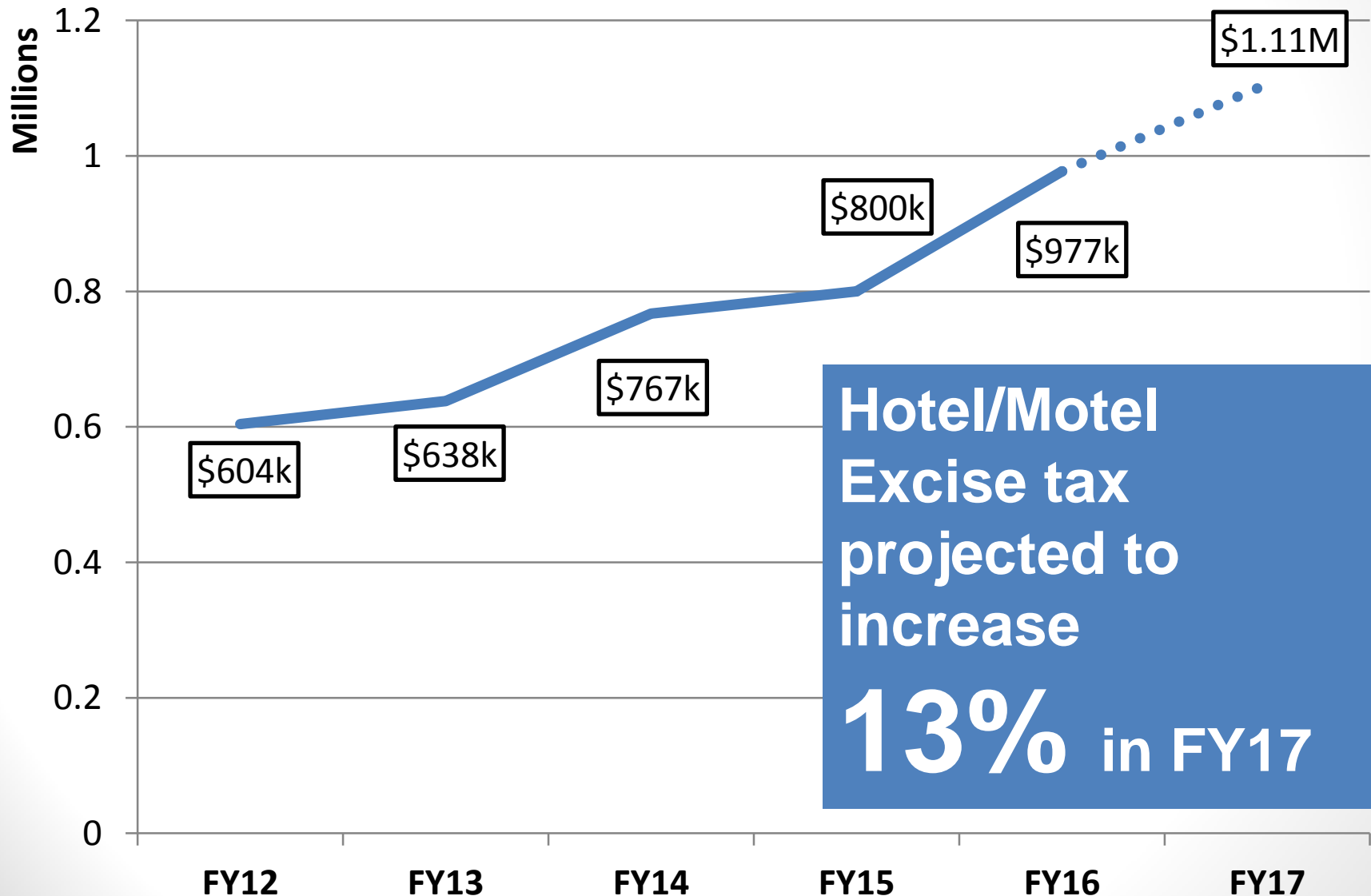
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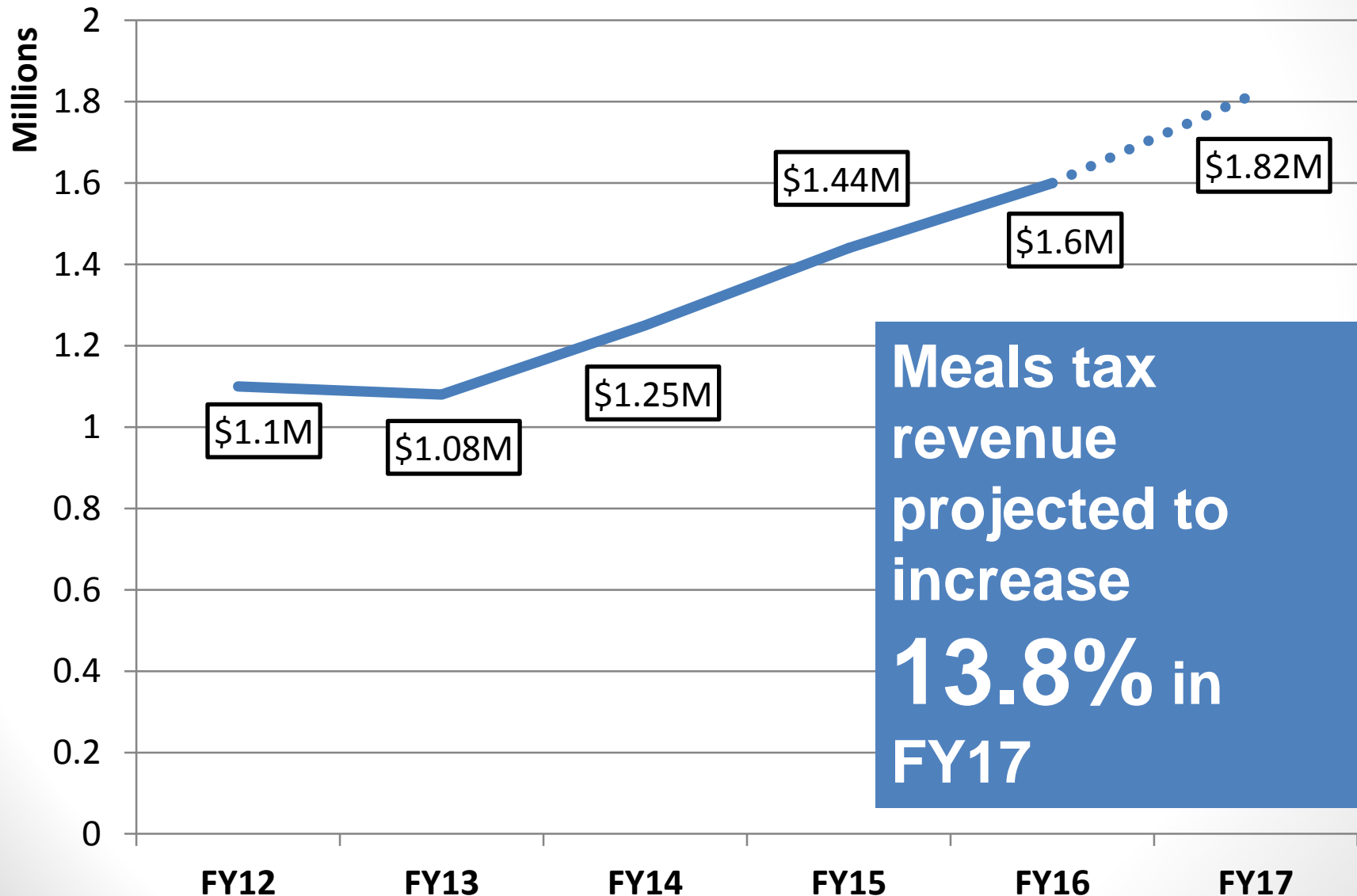
1,312

Total Businesses
at End of FY15

Hotel Tax Revenue Increasing

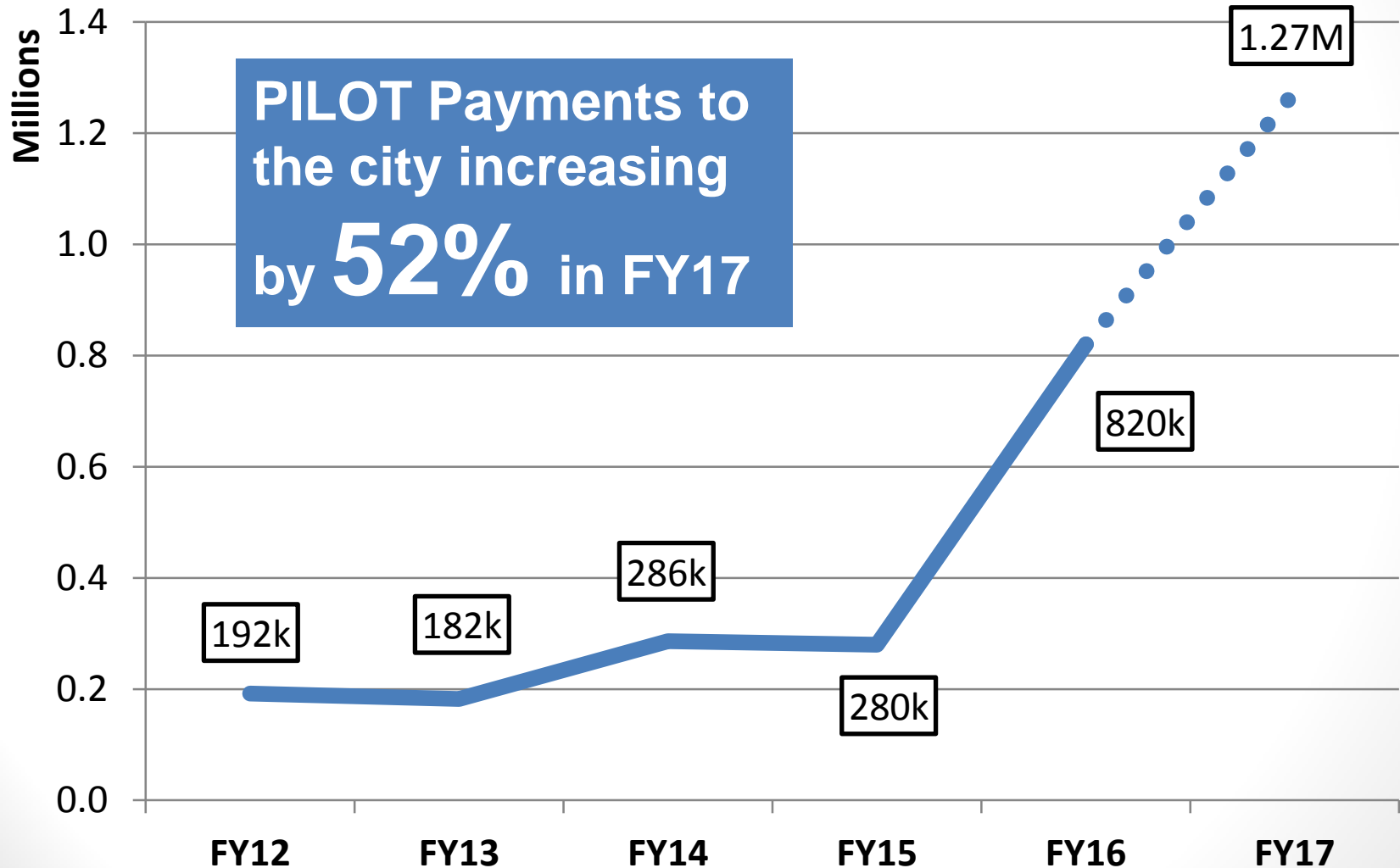


Meals Tax Revenue Increasing



PILOT Payments Increasing

PILOT Payments



\$993,599 in PILOT funds from Partners included in this budget (nearly double that of FY16)



Somerville is thriving
because we invest, for the
long-haul, in our orienting
values

LIVE



PLAY



In FY17, We Will Continue to Invest in Core Services



- Capital Projects
- Sewer staff
- Libraries
- Fields
- Admin Code Changes
- Human Capital

We Will Also Invest to Take on Our Greatest Challenges

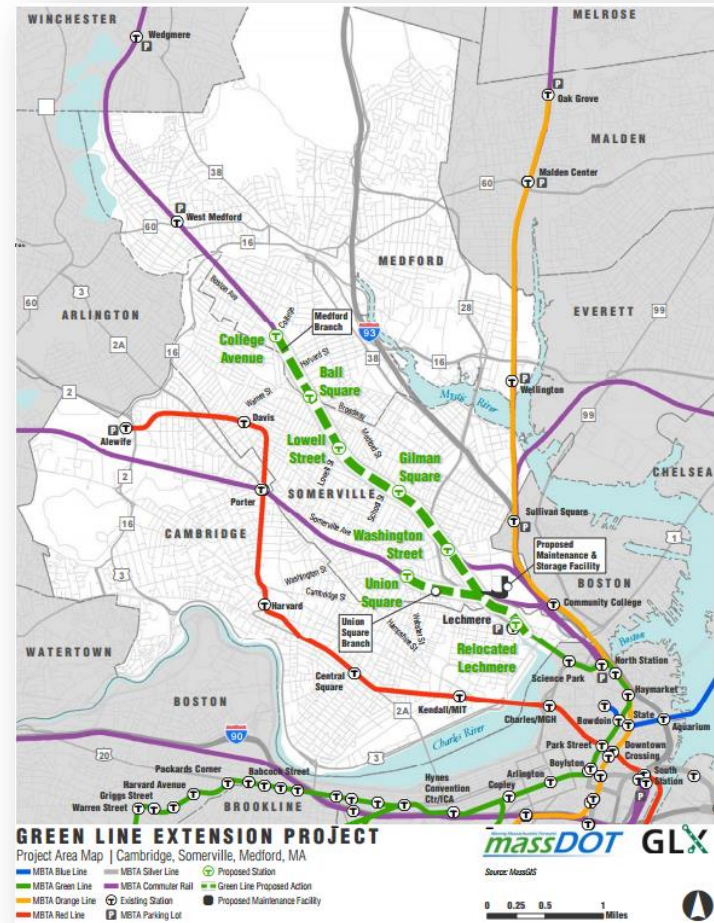


**From Affordable Housing
to Zoning Overhaul**

We Will Continue Our Commitment to Youth Education & Development



We Will Tackle Major Projects



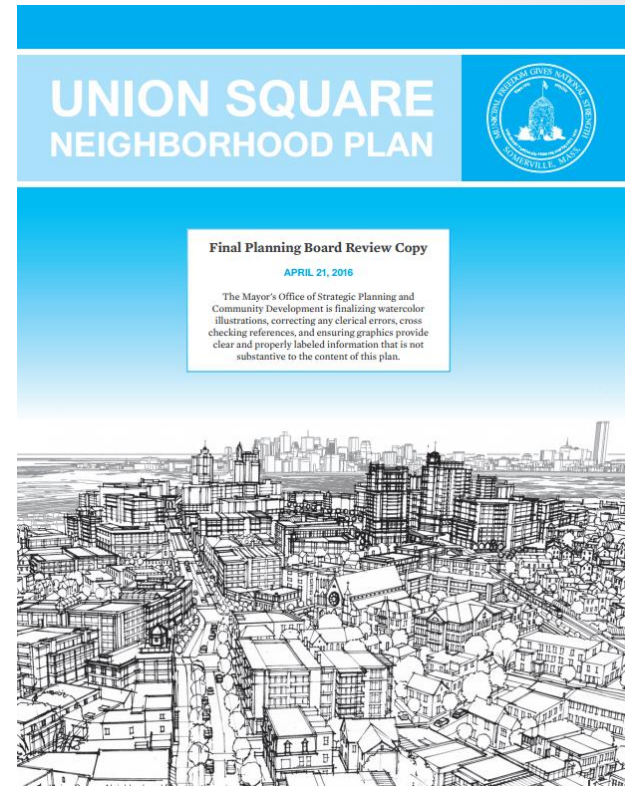
SHS Reconstruction

- Estimated project total: \$253M
- Estimated city share: \$130M
- Funding Sources: MSBA Grant, seeking Debt Exclusion vote, plus other tools to mitigate the impact
- Next steps:
 - Submit ballot language to BOA in June
 - Present to MSBA 7/20/16
 - Present financial and cost mitigation plan to BOA in July
 - Submit to Sec. of State by 8/3/16

Cost of doing nothing is more than \$100M - just to bring the building up to code

Union Square

- Neighborhood Plan has been released.
- Working Estimates: \$70M total
 - The City has already invested in land acquisition & early action items
 - \$40M in estimated utility work to be supported by the Water & Sewer Enterprise funds
 - \$30M in estimated streetscape work supported by the general fund
- Funding Sources: DIF, Infrastructure Investment Incentive program (I-CUBED), MassWorks grant



Early action
infrastructure
work is already
underway.

Green Line Extension

- Municipal Contribution:
 - \$50M required to ensure project goes forward
 - \$8M already invested



The largest public transit expansion the region has seen in a generation

Mitigating Costs of the GLX

- Due diligence on MBTA assessment increase
- Developer mitigation fees: looking to predictable formula-based impact fees
- Working with the Commonwealth to prepare clawback mechanisms including i-cubed
- Spread the costs over time to avoid borrowing



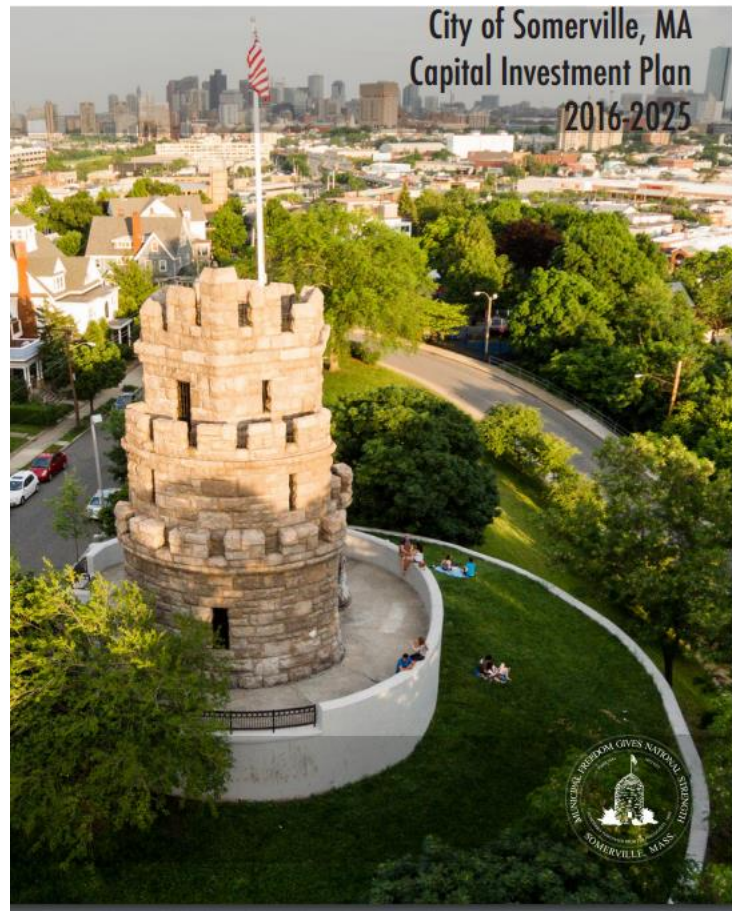
Public Safety

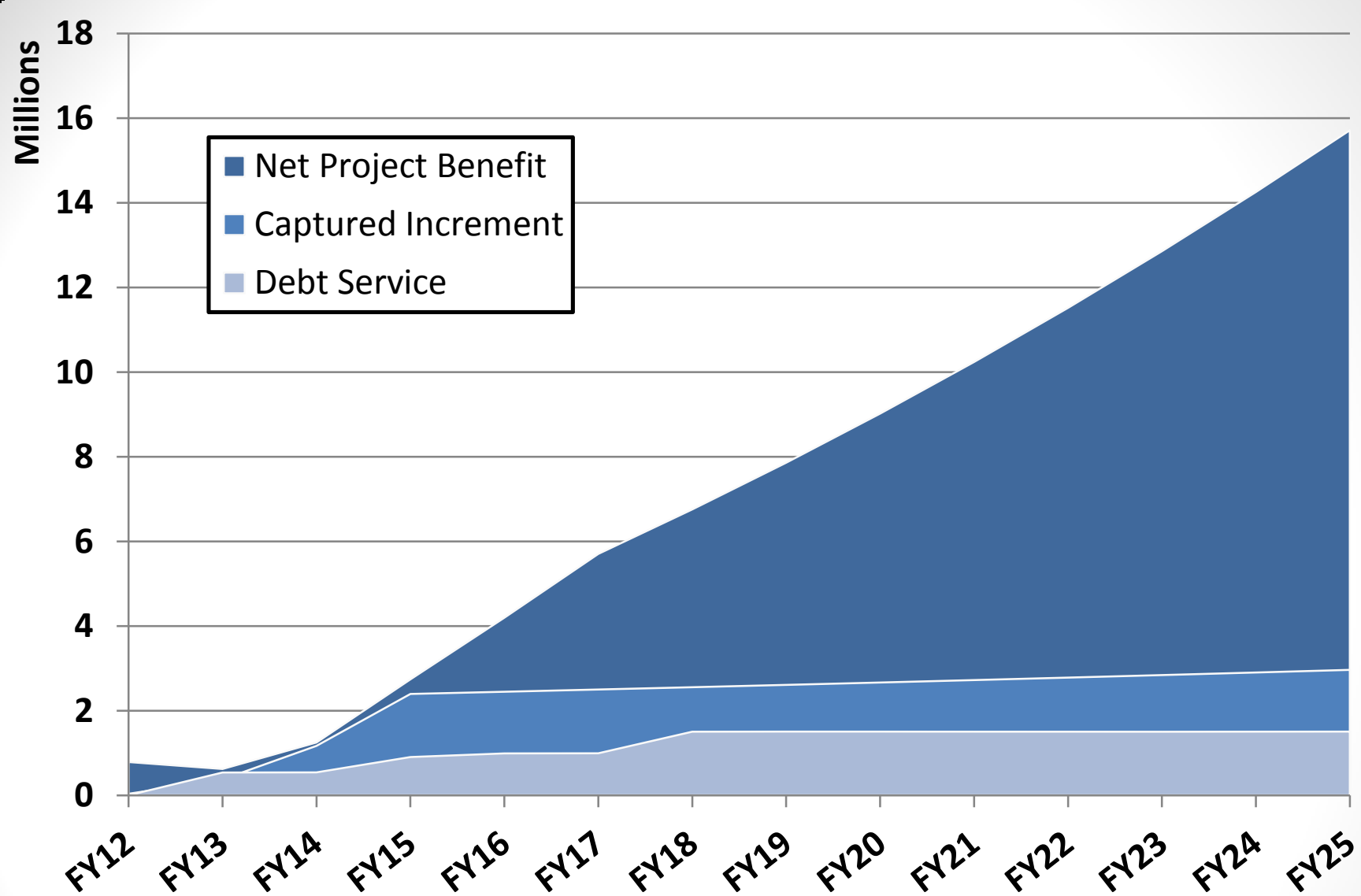
- Context: Related to the Union Square redevelopment. Both the Police Headquarters and Fire Engine 3 need to be moved out of Union Square per the redevelopment plans.
- Timeline: Anticipate moving SPD/SFD from Washington St location by 2021
 - Fire Study complete, recommendations forthcoming
 - Police Feasibility Study funding request in Finance Committee
- Funding Sources: GO bonds, Sale of Assets

Critical Capital Investments

Ten-year Capital Investment Plan updated annually

- Athletic Fields
- West Branch Library
- Tree canopy expansion
- Nunziato Field and storm water improvements
- Winter Hill school yard renovations
- Police station
- Union Square Fire Station relocation





Assembly Square DIF Projections

Captured Increment from the ASQ DIF area has consistently outpaced debt service payments. At the end of the repayment schedule, the accumulated project benefit is projected to approach \$60 million more than required debt service payments.

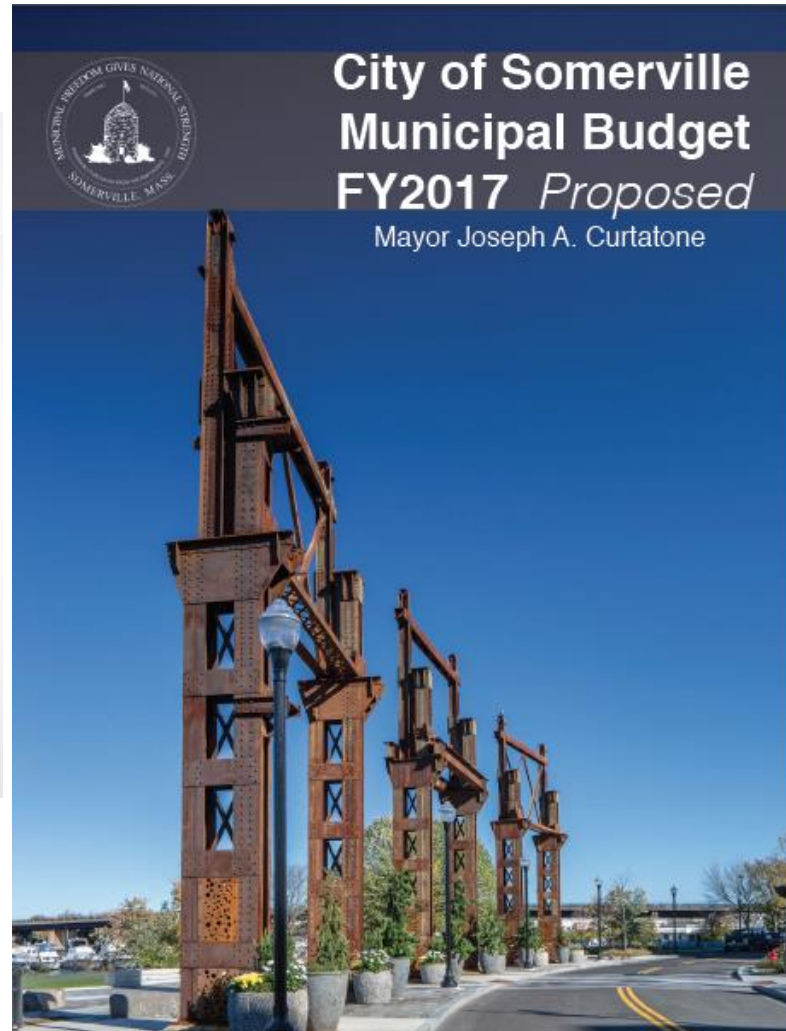
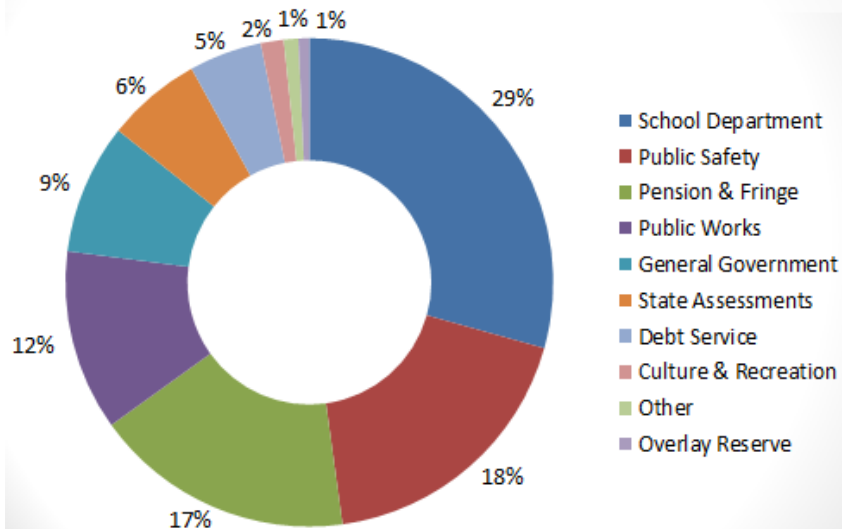
GLX returns

The GLX will unlock more than...

- 18 million square feet of potential new development along its stops,
- 30,000 new jobs,
- 9,000 of units of needed housing,
- \$3 billion in projected tax revenue for both Somerville and the Commonwealth by 2040

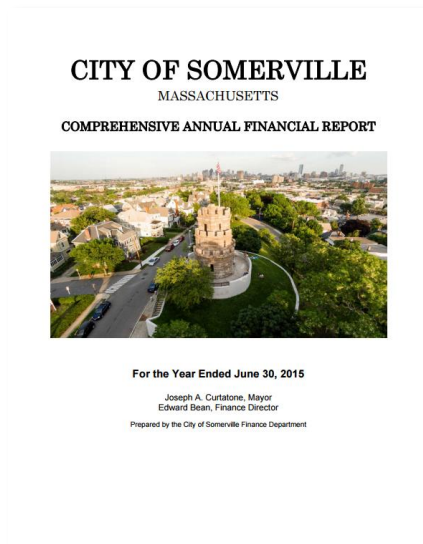
Meeting Our Operational Needs & Goals

Operating Budget



Budget Accolades

Certificate of Achievement for Excellence in Financial Reporting



GFOA Distinguished Budget Presentation Award



Thank you